

Vanderbilt University Law School

**Scholarship@Vanderbilt Law**

---

Vanderbilt Law School Faculty Publications

Faculty Scholarship

---

1-2022

## **Unauthorized and Unwise: The Lawful Use Requirement in Trademark Law**

Robert Mikos

Follow this and additional works at: <https://scholarship.law.vanderbilt.edu/faculty-publications>



Part of the [Intellectual Property Law Commons](#)

---



DATE DOWNLOADED: Thu May 19 10:12:58 2022

SOURCE: Content Downloaded from [HeinOnline](#)

Citations:

Bluebook 21st ed.

Robert A. Mikos, Unauthorized and Unwise: The Lawful Use Requirement in Trademark Law, 75 VAND. L. REV. 161 (2022).

ALWD 7th ed.

Robert A. Mikos, Unauthorized and Unwise: The Lawful Use Requirement in Trademark Law, 75 Vand. L. Rev. 161 (2022).

APA 7th ed.

Mikos, R. A. (2022). Unauthorized and unwise: the lawful use requirement in trademark law. *Vanderbilt Law Review*, 75(1), 161-238.

Chicago 17th ed.

Robert A. Mikos, "Unauthorized and Unwise: The Lawful Use Requirement in Trademark Law," *Vanderbilt Law Review* 75, no. 1 (January 2022): 161-238

McGill Guide 9th ed.

Robert A. Mikos, "Unauthorized and Unwise: The Lawful Use Requirement in Trademark Law" (2022) 75:1 Vand L Rev 161.

AGLC 4th ed.

Robert A. Mikos, 'Unauthorized and Unwise: The Lawful Use Requirement in Trademark Law' (2022) 75(1) *Vanderbilt Law Review* 161

MLA 9th ed.

Mikos, Robert A. "Unauthorized and Unwise: The Lawful Use Requirement in Trademark Law." *Vanderbilt Law Review*, vol. 75, no. 1, January 2022, pp. 161-238. HeinOnline.

OSCOLA 4th ed.

Robert A. Mikos, 'Unauthorized and Unwise: The Lawful Use Requirement in Trademark Law' (2022) 75 Vand L Rev 161

Provided by:

Vanderbilt University Law School

-- Your use of this HeinOnline PDF indicates your acceptance of HeinOnline's Terms and Conditions of the license agreement available at

<https://heinonline.org/HOL/License>

-- The search text of this PDF is generated from uncorrected OCR text.

-- To obtain permission to use this article beyond the scope of your license, please use:

[Copyright Information](#)

# Unauthorized and Unwise: The Lawful Use Requirement in Trademark Law

Robert A. Mikos\*

*For decades, the United States Patent and Trademark Office (“PTO”) has required trademark owners to comply with sundry nontrademark laws governing the sale of their trademarked goods and services. Pursuant to this “lawful use requirement,” the Agency has refused or even cancelled registration of thousands of marks used on everything from Schedule I controlled substances to mislabeled soap. This Article subjects the Agency’s lawful use requirement to long-overdue scrutiny. It suggests that in requiring compliance with other laws for registration, the PTO has lost sight of the one statute it is supposed to administer. In the process, the Agency has overstepped the limits of its statutory authority and undermined federal trademark policy. Whether a mark owner has used its mark to sell improperly labeled soap or an illicit drug, the PTO has no mandate, and no convincing policy reason, to deny the owner the substantial benefits of registration. Simply put, the Agency’s lawful use requirement has no place in trademark law.*

INTRODUCTION .....	162
I. ORIGINS AND EVOLUTION OF THE LAWFUL USE REQUIREMENT.....	171
A. <i>The Lanham Act’s Requirements for Registration</i> ..	172
B. <i>The PTO’s Lawful Use Requirement</i> .....	174
1. PTO Rules.....	175
a. <i>Forgotten Rule 100.141</i> .....	175
b. <i>Rule 2.69</i> .....	177

---

\* The LaRoche Family Chair in Law, Vanderbilt University. I thank Rebecca Haw Allensworth, Michael Bressman, Lisa Bressman, Paul Edelman, Brian Fitzpatrick, Joe Fishman, Cindy Kam, Gautam Hans, Nicole Katsin, Anne Gilson LaLonde, Shabnam Malek, Sara Mayeux, Jason Mazzone, Mark McKenna, Bill McNichol, Sean O’Connor, Mary Shapiro, Suzanna Sherry, Chris Slobogin, Kevin Stack, Ingrid Wuerth, and participants at the International Trademark Association Annual Meeting. I also thank Mackenzie Hayes, Hannah Kannegieter, and Sarah Dunn for excellent research assistance.

	2.	TTAB Decisions in Registration Proceedings.....	178
C.		<i>The Courts and Lawful Use</i> .....	185
	1.	Judicial Review of TTAB Lawful Use Decisions.....	185
	2.	“Unlawful Use” in Trademark Infringement Litigation .....	188
D.		<i>Summary</i> .....	192
II.		UNAUTHORIZED: THE LANHAM ACT DOES NOT REQUIRE LAWFUL USE.....	192
	A.	<i>The Statutory “Use in Commerce” Requirement</i> .....	193
	B.	<i>The Statutory Grounds for Refusing Registration</i> ..	201
	C.	<i>General Principles of Law</i> .....	204
	1.	<i>Coahoma’s “Well-Established” Principle of Property Law</i> .....	204
	2.	The “It Would Be Anomalous” Argument ....	208
	3.	The Clean Hands Doctrine .....	209
	D.	<i>The PTO’s Limited Rulemaking Authority</i> .....	213
	E.	<i>Summary</i> .....	215
III.		UNWISE: TRADEMARK LAW SHOULD NOT DEMAND LAWFUL USE.....	215
	A.	<i>Unsafe</i> .....	216
	B.	<i>Unfair</i> .....	220
	C.	<i>Burdensome</i> .....	223
	D.	<i>Arbitrary</i> .....	228
	E.	<i>Meddlesome</i> .....	231
	F.	<i>Summary</i> .....	234
		RECOMMENDATIONS AND CONCLUSION .....	234

INTRODUCTION

Consider the following questions, each of which has been asked and answered by a certain federal administrative agency:

- To what extent does the 2018 Farm Bill legalize the sale of CBD extracted from “hemp”?
- After the President sanctioned Russia for invading the Crimea, are Russian arms manufacturers allowed to export their wares to the United States?
- Does the sale of certain engine modification kits violate the California Vehicle Code?
- Under the Securities Exchange Act of 1934, may commercial banks offer insurance brokerage services?

- Is shampoo “soap,” and thus exempt from the Food, Drug, and Cosmetic Act’s labeling requirements?

If you were to guess which agency had the mandate and breadth of expertise needed to tackle these questions—and many more—the United States Patent and Trademark Office (“PTO”) would probably not come to mind. After all, none of the questions posed has any obvious connection to trademark or patent law. But then, perhaps you have never heard of the Agency’s lawful use requirement for trademark registration.

The PTO is responsible for administering the Lanham Act’s trademark registration system, the nation’s invaluable repository of marks already in use and therefore likely protected from infringement.<sup>1</sup> To register marks with the Agency, the Lanham Act requires mark owners to use their marks in commerce—in essence, to sell goods with their marks affixed to them.<sup>2</sup> But the PTO has gone a step further and insisted that mark owners must comply with other laws when selling their trademarked goods.<sup>3</sup> In other words, the sale of those goods must be lawful. The failure to comply with this lawful use requirement, whether by selling a Schedule I controlled substance or a mislabeled bottle of shampoo, constitutes grounds for refusing or even cancelling the registration of a mark.

Pursuant to its lawful use requirement, the PTO has investigated violations of a breathtaking array of laws outside the field of trademark law, including the Controlled Substances Act;<sup>4</sup> the Food, Drug, and Cosmetic Act;<sup>5</sup> the Amateur Sports Act;<sup>6</sup> the Federal Insecticide, Fungicide, and Rodenticide Act;<sup>7</sup> the Securities Exchange Act of 1934;<sup>8</sup> the Endangered Species Act;<sup>9</sup> the International

---

1. See Rebecca Tushnet, *Registering Disagreement: Registration in Modern American Trademark Law*, 130 HARV. L. REV. 867, 876–78 (2017) (discussing the function and social value of registration).

2. 15 U.S.C. § 1051 (requiring declaration that mark “is in use in commerce” for registration). The statutory requirements for registration are discussed more fully *infra*, Section I.A. Similar rules apply to service marks, but for ease of exposition, the Article focuses on trademarks used on goods.

3. *E.g.*, *Weight Watchers Int’l, Inc. v. I. Rokeach & Sons, Inc.*, 211 U.S.P.Q. (BL) 700, 702 (T.T.A.B. 1981) (“Trademark rights cannot accrue from unlawful commerce.”). Section I.B discusses the requirement in detail.

4. *In re Morgan Brown*, 119 U.S.P.Q.2d (BL) 1350 (T.T.A.B. 2016).

5. *In re Stellar Int’l, Inc.*, 159 U.S.P.Q. (BL) 48 (T.T.A.B. 1968).

6. *U.S. Olympic Comm. v. O-M Bread, Inc.*, 26 U.S.P.Q.2d (BL) 1221 (T.T.A.B. 1993).

7. *Coahoma Chem. Co. v. Smith*, 113 U.S.P.Q. (BL) 413 (Dec. Comm’r Pat. 1957).

8. *E.W. Bank Co. v. Plubell Firm LLC*, No. 92053712, 2016 WL 5219824, at \*13 (T.T.A.B. Sept. 8, 2016).

9. U.S. Trademark Application Serial No. 79226020 (Office Action, Feb. 20, 2018).

Emergency Economic Powers Act;<sup>10</sup> the Cuban Assets Control Regulations;<sup>11</sup> the Federal Meat Inspecting Act;<sup>12</sup> the Communications Act of 1934;<sup>13</sup> the Federal Alcohol Administration Act;<sup>14</sup> and the Federal Indian Arts and Crafts Act,<sup>15</sup> to name but a few, along with violations of sundry state laws.<sup>16</sup> In the past decade alone, the Agency has refused or cancelled registration of thousands of marks because it found that the mark owner likely violated one of these, or countless other, nontrademark statutes when selling its trademarked goods.<sup>17</sup>

The lawful use requirement can have severe consequences for any mark owner caught in the crosshairs of an inquiring trademark examiner or a rival in an inter partes trademark dispute. Most obviously, the mark owner loses the “significant, substantive advantages” the Lanham Act confers on registered marks, including the presumption that a registered mark is valid and constructive nationwide notice that the registrant has staked a claim to it.<sup>18</sup> But the consequences may extend beyond the loss of registration and its many benefits. Following the PTO’s lead, a small but growing number of courts have held that unlawful use also constitutes a defense to infringement of a mark.<sup>19</sup> Thus, whether they seek registration or not, mark owners are increasingly under the thumb of the lawful use requirement.

10. U.S. Trademark Application Serial No. 79179932 (Office Action, Jan. 25, 2016).

11. U.S. Trademark Application Serial No. 86503062 (Office Action, Apr. 3, 2017).

12. *In re Cook, United, Inc.*, 188 U.S.P.Q. (BL) 284 (T.T.A.B. 1975).

13. *In re WSM, Inc.*, 225 U.S.P.Q. (BL) 883 (T.T.A.B. 1985).

14. *Great Adirondack Steak & Seafood Cafe, Inc. v. Adirondack Pub & Brewery, Inc.*, No. 91219162, 2017 WL 3670296 (T.T.A.B. June 8, 2017).

15. *In re Indian Nation Leather Co.*, 44 U.S.P.Q.2d (BL) 1539 (T.T.A.B. 1997).

16. *E.g.*, *Facial Aesthetic Ctr. of Excellence Grp., Inc. v. Stewart Wang, M.D., Inc.*, No. 92044775, 2006 WL 3296210 (T.T.A.B. Oct. 27, 2006) (state business and professions code); *Geraghty Dyno-Tuned Prod., Inc. v. Clayton Mfg. Co.*, 190 U.S.P.Q. (BL) 508 (T.T.A.B. 1976) (state vehicle code); *see infra* notes 338–339 and accompanying text (discussing PTO’s struggles to limit application of requirement to violations of federal law).

17. To estimate the number of marks refused registration on lawful use grounds, I searched the TM TKO database of Office Actions. *See* TM TKO, [tmtko.com/searches](http://tmtko.com/searches) (last visited Sept. 15, 2020) [<https://perma.cc/8WDQ-ZZEG>]. The full search query: (status\_class [any]: abandoned AND status\_date [greater]: 01/01/2010) AND (content\_combined [phrase]: “lawful use” AND content\_combined [not\_any]: supplemental concurrent AND content\_combined [not\_phrase]: “common law use”). The search returned 5,928 results since January 1, 2010. The search dates were restricted because records of older PTO decisions are incomplete. Office Action Lawful Use Dataset (on file with author). For an explanation of PTO registration proceedings, *see infra* notes 65–67 and accompanying text.

18. Barton Beebe, *Is the Trademark Office a Rubber Stamp?*, 48 HOUS. L. REV. 751, 753 (2011); *see also infra* Section I.A (explaining benefits of registration).

19. *E.g.*, *CreAgri, Inc. v. USANA Health Scis., Inc.*, 474 F.3d 626 (9th Cir. 2007) (holding that dietary supplement manufacturer did not infringe on competitor’s trademark because competitor’s prior use of the mark had been unlawful); *see also infra* Section I.C.2 (discussing rise of the unlawful use defense).

The lawful use requirement is particularly disruptive in newly emerging industries, where firms are testing the boundaries of the law. Consider the state-licensed cannabis industry. More than thirty states have legalized cannabis for medical and even recreational purposes. These states have licensed thousands of firms to meet consumer demand for the drug.<sup>20</sup> The combined sales of the industry totaled more than \$13 billion in 2019 and are projected to surpass \$35 billion by 2025.<sup>21</sup> Entrepreneurs in this industry have already established loyal brand followings among the nation's more than fifty million cannabis consumers.<sup>22</sup> But not one of those entrepreneurs can register its mark with the PTO, because the sale of marijuana remains illegal under federal law.<sup>23</sup>

Notwithstanding its longevity and the frequency with which it has been applied, the lawful use requirement has escaped close judicial scrutiny. Shockingly, to date, the courts have never had to opine on the PTO's authority to demand lawful use for registration.<sup>24</sup> Most mark owners who have been refused registration on lawful use grounds have declined to appeal the PTO's decision to the courts. In the rare appeals that have been made, courts have been able to sidestep questions about the Agency's statutory authority by deciding the appeals on other grounds. Left unchallenged for decades, the requirement became a fixture in PTO registration proceedings. It was at this point that a handful of courts began to recognize a separate defense to trademark infringement based, in large part, on the Agency's requirement.<sup>25</sup> But in following the PTO's lead, these courts never examined the Agency's justifications for making trademark registration conditional upon compliance with nontrademark laws, nor its authority for so doing.

---

20. Colorado alone has licensed more than one thousand firms to cultivate, process, and/or distribute medical or recreational marijuana. See *MED Resources and Statistics*, COLO. DEPT OF REVENUE, <https://www.colorado.gov/pacific/enforcement/med-resources-and-statistics> (last updated Oct. 1, 2020) [<https://perma.cc/5K9W-26E8>].

21. Chris Hudock, *U.S. Legal Cannabis Market Growth*, NEW FRONTIER DATA (Sept. 8, 2019), <https://newfrontierdata.com/cannabis-insights/u-s-legal-cannabis-market-growth/> [<https://perma.cc/E8GP-7SRC>]; see also ARCVIEW MARKET RSCH. & BDSA, *THE STATE OF LEGAL CANNABIS MARKETS 12* (8th ed. 2020) (estimating industry sales of \$12.4 billion in 2019).

22. Some notable brand names in the industry include Willie's Reserve, PharmaCann, Marley Natural, Caviar Gold, Kiva Confections, and Grassroots.

23. See sources cited *infra* note 280 (listing cases where marks were rejected due to use on marijuana products).

24. See *infra* Section I.C.1 (discussing judicial review of Trademark Trial and Appeal Board ("TTAB") lawful use decisions).

25. See *infra* Section I.C.2 (discussing "unlawful use" defense in trademark infringement litigation).

This Article subjects the lawful use requirement to long-overdue scrutiny.<sup>26</sup> It suggests that in requiring compliance with other laws for registration, the PTO has lost sight of the one statute it is supposed to administer. In the process, the Agency has overstepped the limits on its statutory authority and undermined federal trademark policy. Whether a mark owner has used its mark to sell improperly labeled shampoo or a Schedule I controlled substance, the PTO has no mandate, and no convincing policy reason, to refuse registration of the mark.

The Article illuminates two distinct flaws in the lawful use requirement. First, it explains that the Lanham Act does not authorize the PTO to condition registration upon compliance with other, nontrademark statutes.<sup>27</sup> Although the Act does require mark owners to use their marks in commerce, it specifies that this “use in commerce” requirement is satisfied by the sale of a good bearing one’s mark, without regard to the legality of such sale.<sup>28</sup> Furthermore, demanding compliance with other laws bears no relationship to the twin purposes behind requiring “use in commerce.” Congress required “use” of a mark to ensure that consumers will associate the mark with goods made by a particular vendor, and it required such use to be “in commerce” to ensure that Congress had constitutional authority to regulate the use of the mark. Neither of these functions hinges on or is even advanced by a mark owner’s compliance with other laws governing the sale of goods.

Apart from disregarding the plain language and purposes of the “use in commerce” requirement, the PTO has ignored another provision of the Lanham Act that specifies the exclusive grounds upon which the Agency may refuse registration of a mark.<sup>29</sup> This provision would have been the natural place for Congress to have prohibited registration of marks used in unlawful commerce, but Congress did no such thing—a

---

26. It builds upon previous scholarship discussing facets of the lawful use requirement and related doctrines. See generally James B. Astrachan, *Unlawful Use in Commerce and the Affirmative Defense to Infringement: When Trademark Rights Are Not What They Appear to Be*, 69 SYRACUSE L. REV. 263 (2019) (exploring lawful use as a requirement of registration and as an affirmative defense); Note, *The Besmirched Plaintiff and the Confused Public: Unclean Hands in Trademark Infringement*, 65 COLUM. L. REV. 109 (1965) (explaining the doctrine of “unclean hands” in trademark law and its effect on the public); Iver P. Cooper, *Unclean Hands and Unlawful Use*, 71 TRADEMARK REP. 38 (1981) (explaining the switch from the “unclean hands” doctrine to “lawful use” doctrine and its impact on trademark law); Christopher R. McElwain, *High Stakes: Marijuana Brands and the USPTO’s “[Lawful] Use” Registration Criterion* (2016) (unpublished manuscript), <https://pdf4pro.com/cdn/christopher-r-mcelwain-37a6.pdf> [<https://perma.cc/474L-YPYC>] (discussing the lawful use doctrine’s impact on marijuana products); Bethany Rabe, *Adapting the U.S.P.T.O.’s Unlawful Use Doctrine for the Federal Courts*, 17 WAKE FOREST J. BUS. & INTELL. PROP. L. 286 (2017) (examining the unlawful use doctrine as applied in federal courts).

27. See *infra* Part II.

28. See *infra* Section II.A.

29. See *infra* Section II.B.



conspicuous omission, given that Congress had expressly barred protection of marks “used in unlawful businesses” in every trademark statute it had adopted before the Lanham Act.<sup>30</sup>

Tellingly, the PTO has seldom discussed statutory text in its lawful use decisions. Indeed, the Agency’s first textual defense of the requirement appeared in a decision issued more than thirty years after the Agency began demanding lawful use for registration. In a brief passage in that decision, a member of the Agency’s Trademark Trial and Appeal Board (“TTAB”) suggested that, because Congress had expressly referred to “lawful use” elsewhere in the Lanham Act, it necessarily must have intended to demand lawful use for registration as well.<sup>31</sup> But the PTO’s reasoning is just plain wrong. It not only contravenes the usual canons of statutory interpretation, but it also misconstrues what Congress meant by “lawful use” elsewhere in the statute (hint: it has nothing to do with obeying other laws).<sup>32</sup>

Lacking any textual support for its requirement, the PTO has instead suggested that lawful use is dictated by a supposedly well-established principle of the common law. In its very first and most influential lawful use decision, for example, the PTO baldly asserted that one could *never* acquire property rights through wrongful acts—a view the Agency has embraced in various guises ever since.<sup>33</sup> But as every 1L property student should recognize, one may acquire valid property rights from wrongful acts, even unlawful ones.<sup>34</sup> In fact, the PTO itself confers valuable property rights in an analogous circumstance: it issues patents on inventions that are plainly unlawful.<sup>35</sup> In any event, Congress did not authorize the PTO to supplement the Lanham Act’s express requirements for registration with principles drawn from the common law, whether real or imagined.

Put simply, the plain text, purposes, and history of the Lanham Act all suggest the same conclusion: Congress did not want the PTO to consider compliance with other statutes when administering the Lanham Act’s registration system. The lawful use requirement is, ironically, unauthorized.

---

30. See *infra* Section II.B.

31. *Satinine Societa in Nome Collettivo di S.A. e M. Usellini v. P.A.B. Produits et Appareils de Beaute (Satinine v. P.A.B.)*, 209 U.S.P.Q. (BL) 958, 964 n.2 (T.T.A.B. 1981). The case is discussed *infra* Sections I.B.2. and III.A.

32. See *infra* Section II.A (discussing the statutory “use in commerce” requirement).

33. *Coahoma Chem. Co. v. Smith*, 113 U.S.P.Q. (BL) 413, 416 (Dec. Comm’r Pat. 1957). The case is discussed *infra* in Parts I.B.2. and II.C.1.

34. See *infra* Section II.C.1.

35. See *infra* notes 218–226 and accompanying text (providing examples).

Second, the Article also explains why the lawful use requirement is a counterproductive and costly addendum to federal trademark policy.<sup>36</sup> Perhaps most importantly, it shows that the requirement undermines the two overarching purposes of the Lanham Act: protecting consumers from deception and protecting firms from the misappropriation of their brand names.<sup>37</sup> By making it more difficult for firms to protect their marks from infringement, the lawful use requirement enables rivals to engage in predatory practices that not only rob mark owners of the goodwill they have imbued in their marks, but also deceive consumers. For example, because of the requirement, nothing currently prevents a cannabis firm in one state from stealing the brand name of an out-of-state rival and using that name to hawk its own cannabis products. As a result, consumers may not realize that the cannabis they see in stores in different states is not necessarily the same, even if it bears an identical mark.

Even when registration is not refused or cancelled, the lawful use requirement still imposes substantial costs on the trademark system. For one thing, it forces trademark attorneys to address complicated compliance questions (like those noted above) beyond their expertise, all to convince the PTO that a mark owner did not violate a statute the Agency is not authorized to enforce in the first place.<sup>38</sup> Although the PTO has belatedly acknowledged some of the burden its requirement inflicts on the trademark system, its attempts to lessen that burden—namely, by grafting various exceptions to the requirement<sup>39</sup>—may have done more harm than good. The Article highlights numerous inconsistencies in the PTO's application of the lawful use requirement, and it traces the arbitrariness to the Agency's failure to clearly define those exceptions.<sup>40</sup>

Beyond the costs it imposes on the trademark system, the lawful use requirement also exacts a toll on the administration of nontrademark laws.<sup>41</sup> The PTO has taken upon itself to investigate, adjudicate, and sanction—by refusing registration—violations of statutes, even when the agencies responsible for enforcing those statutes choose not to pursue the violations. By disregarding the choices made by these other agencies, the PTO threatens to undermine the goals of the statutes they (and not the PTO) have been trusted to administer.

---

36. See *infra* Part III (arguing that trademark law should not require lawful use).

37. See *infra* Section III.A-B.

38. See *infra* Section III.C.

39. Those exceptions and their origins are discussed in Section I.B.2, *infra*.

40. See *infra* Section III.D.

41. See *infra* Section III.E.

Highlighting the costs of the lawful use requirement helps to explain why Congress would not have wanted the PTO to police compliance with other statutes in the first instance. In other words, it bolsters the claim that the requirement is unauthorized. But highlighting these costs also explains why the PTO should eschew the requirement now, even if the Agency remains convinced of its authority to impose it. Simply put, the requirement is unwise.

The Article's critique of the lawful use requirement comes at an opportune time. The conventional wisdom of what is challengeable in trademark law, and what is not, was, until recently, well settled. But in the past few years, the Supreme Court has invalidated a handful of long-standing federal trademark doctrines, including the Lanham Act's express prohibitions on registering disparaging, immoral, and scandalous marks.<sup>42</sup> These holdings suggest the Court may be receptive to challenges to other long-standing registration doctrines as well.<sup>43</sup>

The Article also contributes to an emerging body of scholarship analyzing the registration system and its broader role in federal trademark policy. These are topics that, until recently, had been neglected in the academy.<sup>44</sup> By elucidating how the PTO's lawful use requirement made its way into trademark infringement litigation, for example, the Article advances our understanding of the relationship between trademark registration and trademark protection.<sup>45</sup> Furthermore, by offering a new way to simplify registration proceedings, the Article helps address the widely held concern that our registration system, and the Agency that administers it, are overwhelmed.<sup>46</sup> While it is no panacea, eliminating the distraction that is the lawful use requirement should help focus the PTO's limited resources on the core concerns of trademark law.<sup>47</sup>

---

42. *Iancu v. Brunetti*, 139 S. Ct. 2294, 2302 (2019) (holding that ban on registration of immoral or scandalous marks violates the First Amendment); *Matal v. Tam*, 137 S. Ct. 1744, 1765 (2017) (reaching same conclusion for ban on disparaging marks).

43. To be clear, the Article argues that the lawful use requirement is unauthorized and unwise, and not that it is unconstitutional, as some have claimed. See, e.g., Robert L. Greenberg, *Cannabis Trademarks and the First Amendment*, 52 TEX. TECH L. REV. 525, 557 (2020) (suggesting refusal to register trademarks used on cannabis products "is a violation of the First Amendment").

44. See Tushnet, *supra* note 1, at 870 ("Foundational critiques of modern trademark law tend not to address the role of registration."); *id.* at 871 (noting that "[r]egistration offers some of the most challenging puzzles in trademark").

45. For example, previous scholarship on lawful use has lumped together the lawful use requirement for registration and the unlawful use defense to trademark infringement, neglecting the separate statutory basis for each doctrine and the sequencing of their development. See, e.g., Astrachan, *supra* note 26; Cooper, *supra* note 26.

46. See *infra* notes 325–326 and accompanying text.

47. Cf. Tushnet, *supra* note 1, at 886 (suggesting that the registration system devotes too much attention to matters that "don't go to core trademark policy").

Beyond trademark law, the Article paints a cautionary tale about administrative agencies and the evolution of their missions.<sup>48</sup> Delving into the previously uncharted early history of the PTO's lawful use requirement, the Article shows that the Agency did not always demand compliance with other laws for registration.<sup>49</sup> Indeed, immediately after passage of the Lanham Act, the PTO required compliance with just two specific federal statutes, each limiting the brand names firms could use on meat and alcohol products. Given that those limitations were nearly identical to ones imposed by the Lanham Act, the lawful use requirement may have been originally conceived as a way for the PTO to coordinate "shared regulatory space" with other federal agencies enforcing identical statutory requirements.<sup>50</sup> Over time, however, the PTO lost sight of that function, as it began to demand compliance with an ever-expanding array of statutes unrelated to the Lanham Act or the concerns of trademark law. The Article also identifies factors, such as the lack of judicial review of key Agency decisions, that enabled the PTO to enlarge its mission, and to lose sight of the statute it was supposed to administer.

The Article proceeds as follows: Part II provides background on the origin and evolution of the lawful use requirement, including previously overlooked details concerning the original version of the requirement and the lack of judicial review of Agency lawful use decisions over the years. Part II also catalogs each of the arguments the PTO has made to justify the lawful use requirement. Parts III–IV then scrutinize these arguments to demonstrate why they cannot sustain the lawful use requirement, either as an interpretation of the Lanham Act as written, or as a desirable addition to federal trademark policy. Part V concludes and briefly outlines how the PTO and the courts could eliminate the lawful use requirement and thereby refocus the Agency's attention on the Lanham Act, the lone statute the Agency should worry about when administering federal trademark law.

---

48. For a sampling of scholarship examining the evolution of agency missions and jurisdiction, see, for example, Jody Freeman & David B. Spence, *Old Statutes, New Problems*, 163 U. PA. L. REV. 1 (2014); Kevin M. Stack, *The Statutory President*, 90 IOWA L. REV. 539 (2005); Cass R. Sunstein, *Is Tobacco a Drug? Administrative Agencies As Common Law Courts*, 47 DUKE L.J. 1013 (1998); Philip J. Weiser, *Federal Common Law, Cooperative Federalism, and the Enforcement of the Telecom Act*, 76 N.Y.U. L. REV. 1692 (2001); and JAMES Q. WILSON, *BUREAUCRACY: WHAT GOVERNMENT AGENCIES DO AND WHY THEY DO IT* (1989).

49. See *infra* Section I.B.1.a.

50. See *infra* note 76 and accompanying text.

## I. ORIGINS AND EVOLUTION OF THE LAWFUL USE REQUIREMENT

This Part provides the most exhaustive examination to date of the origins and evolution of the lawful use requirement, including previously overlooked details about the earliest version of the requirement. This history lays the foundation for the claims developed below that the lawful use requirement is neither a reasonable interpretation of Lanham Act Congress passed, nor a sound addition to federal trademark policy.

Section A begins with a brief review of the federal trademark registration system and the requirements set forth by the Lanham Act for registering a mark with the PTO. It notes that while the statute does require use of a mark in commerce to seek registration, the Lanham Act does not expressly require that such use be lawful, in the sense of in compliance with other statutes.

Section B then explains how the PTO introduced the lawful use requirement into the registration system, first through the promulgation of rules, and then through decisions issued by the TTAB in registration proceedings. In discussing the Agency's decisions, Section B identifies and catalogs each of the rationales the PTO has given for interpreting "use in commerce" as "lawful use in commerce." Section B also discusses how the Agency has grafted various limitations onto the requirement, in response to its own (belated) misgivings about the requirement.

Finally, Section C highlights the subdued role the courts have played in the development of the lawful use requirement. It notes that, notwithstanding the theoretical availability of judicial review of PTO lawful use decisions, that option has seldom been exercised. In fact, courts have never had to gauge whether the PTO has the authority to impose the lawful use requirement for registration. Section C also illuminates for the first time the relationship between the PTO's lawful use requirement and the unlawful use defense that some courts have recently adopted in trademark infringement proceedings. It suggests that these courts have reflexively extended the reach of the PTO's lawful use requirement, without bothering to closely scrutinize the statutory basis for the requirement or the possible rationales behind it.

### A. The Lanham Act's Requirements for Registration

Congress passed the Lanham Act in 1946 to replace and update a patchwork of trademark laws enacted between 1881 and 1925.<sup>51</sup> The Lanham Act now serves as the “foundation of current federal trademark law.”<sup>52</sup> It creates a comprehensive and elaborate scheme for federal trademark protection, including the registration of marks.

Registration is not mandatory, but the Lanham Act “confers significant, substantive advantages on the registered mark,”<sup>53</sup> especially those marks included on the principal register. Among other things, inclusion on that register constitutes “prima facie evidence of the validity of the registered mark and of the registration of the mark, of the owner’s ownership of the mark, and of the owner’s exclusive right to use the registered mark in commerce” nationwide;<sup>54</sup> it serves as “constructive notice of the registrant’s claim of ownership” of the mark;<sup>55</sup> it makes the mark “incontestable” following five years of continuous use post registration;<sup>56</sup> and it enables the mark owner to recover additional damages and attorneys’ fees for infringement.<sup>57</sup>

The Lanham Act also specifies the requirements applicants must satisfy to register their marks on the principal register.<sup>58</sup> In particular, section 1 of the Act stipulates that applicants seeking registration of a mark need only provide:

- “specimens or facsimiles of the mark,” as well as a “drawing of the mark”
- “specification of the applicant’s domicile and citizenship”

---

51. Lanham Act, ch. 540, 60 Stat. 427 (1946) (codified as amended at 15 U.S.C. §§ 1051–1141n). Statutes passed in 1867, 1870, 1881, 1905, 1920, and 1925 established a system for registration of trademarks with the Patent Office (as it was then known), and these statutes provided some limited protections for marks. However, dissatisfaction with these earlier trademark laws prompted Congress to overhaul the federal trademark system in 1946. See Ethan Horwitz & Benjamin Levi, *Fifty Years of the Lanham Act: A Retrospective of Section 43(a)*, 7 FORDHAM INTELL. PROP. MEDIA & ENT. L.J. 59 (1996) (discussing history of Lanham Act and preceding federal trademark laws).

52. *Matal v. Tam*, 137 S. Ct. 1744, 1752 (2017).

53. Beebe, *supra* note 18, at 753; see also J. THOMAS MCCARTHY, MCCARTHY ON TRADEMARKS AND UNFAIR COMPETITION § 19:90 (5th ed. 2021) (listing seven procedural and legal advantages to registration).

54. 15 U.S.C. § 1057(b).

55. *Id.* § 1072.

56. *Id.* § 1065 (also noting exceptions).

57. *Id.* § 1117.

58. See Barton Beebe & Jeanne C. Fromer, *Are We Running Out of Trademarks? An Empirical Study of Trademark Depletion and Congestion*, 131 HARV. L. REV. 945, 955 (2018) (summarizing requirements). The Lanham Act also expressly enumerates the permissible grounds for refusing registration of a mark that otherwise meets the requirements for registration. Those grounds for refusal are discussed in detail *infra* Section II.B.

- a description of “the goods in connection with which the mark is used”
- a verified statement that the applicant is “the owner of the mark”
- a verified statement that “no other person has the right to use such mark in commerce either in the identical form thereof or in such near resemblance thereto as to be likely, when used on or in connection with the goods of such other person, to cause confusion, or to cause mistake, or to deceive,” and
- a declaration that the mark “is in use in commerce,” as well as specification of the “date of the applicant’s first use of the mark in commerce”<sup>59</sup>

This list of the requirements for registration has remained largely unchanged since the Lanham Act was adopted in 1946.<sup>60</sup>

Only the last of these requirements—that the mark is “in use in commerce”—is relevant for present purposes. Section 45 of the Lanham Act expressly defines the meaning of this phrase. It declares that a mark is “in use in commerce” when it “is placed in any manner on . . . goods or their containers” and those goods are then “sold or transported in commerce.”<sup>61</sup> Importantly, section 45 also clarifies that the term “commerce” encompasses “all commerce which may lawfully be regulated by Congress.”<sup>62</sup> As discussed more below, Congress included this language to ensure the Lanham Act fell within the authority conferred by the Commerce Clause.<sup>63</sup>

Thus, according to the plain text of the Lanham Act, “use in commerce” simply means the sale or transportation of a good bearing one’s mark, as long as the sale or transportation meets the constitutional definition of “Commerce with foreign Nations, [or] among the several States, [or] with the Indian Tribes.”<sup>64</sup> Notably absent from the text of the Lanham Act is the suggestion that the sale or

---

59. 15 U.S.C. § 1051(a)-(d).

60. In 1988, Congress amended the statute to allow registration based on a “bona fide intention . . . to use a trademark in commerce,” rather than just actual use in commerce. Trademark Law Revision Act of 1988, Pub. L. No. 100-667, sec. 103, § 1(1)(b), 102 Stat. 3935, 3935 (codified as amended at 15 U.S.C. § 1051(b)). Accordingly, Congress also amended the definition of “use in commerce” to include “the *bona fide* use of a mark in the ordinary course of trade, and not made merely to reserve a right in a mark.” *Id.* § 134(8) (codified as amended at 15 U.S.C. § 1127) (emphasis added). According to the PTO, these changes were made primarily “to eliminate the practice of ‘token use,’ or use made solely to reserve rights in a mark.” U.S. PAT. & TRADEMARK OFF., TRADEMARK MANUAL OF EXAMINING PROCEDURE § 901.02 (Oct. 2018) [hereinafter TMEP] (discussing statutory amendment and its legislative history).

61. 15 U.S.C. § 1127.

62. *Id.*

63. See *infra* notes 173–176 and accompanying text.

64. U.S. CONST. art. I, § 8, cl. 3.

transportation of goods must comport with other laws. In other words, the statute does not literally refer to “lawful use in commerce,” or alternatively, “use in lawful commerce.” Nonetheless, as discussed next, the PTO has imposed just such a condition on registration.

### *B. The PTO’s Lawful Use Requirement*

The PTO plays a limited but important role in federal trademark law. Most importantly, for our purposes, the Agency administers the Lanham Act’s invaluable registration system.<sup>65</sup> The Agency’s trademark examiners review registration applications to determine whether applicants have satisfied the requirements specified by section 1 (detailed above), and whether their marks run afoul of any of the prohibitions specified by section 2 (discussed below). If the examiner approves the application, the PTO will publish the mark in the Agency’s Official Gazette, giving other parties notice of the mark’s pending registration. If the examiner instead refuses registration, a decision called an “Office Action,” the applicant may appeal to the TTAB, which is an administrative tribunal comprised of senior PTO officials and a pool of administrative trademark judges.<sup>66</sup> In addition to hearing these appeals from *ex parte* Office Actions, the TTAB also presides over *inter partes* registration disputes, including opposition proceedings, in which a party challenges the pending registration of a mark, and cancellation proceedings, in which a party asks the TTAB to cancel an existing registration.<sup>67</sup> The decisions of the TTAB in all of these matters are subject to judicial review, as discussed below.

In these registration proceedings, and in rules promulgated to govern them, the PTO has insisted that section 1’s “use in commerce” requirement is satisfied only by the lawful use of a mark. In other words, the Agency has refused or cancelled registration when the sale of a good bearing the mark violates any federal (and possibly even state) law. This condition on registration is commonly known as the “lawful use requirement.”<sup>68</sup>

---

65. For an overview of the PTO’s role in administering the trademark registration system, see Melissa F. Wasserman, *What Administrative Law Can Teach the Trademark System*, 93 WASH. U. L. REV. 1511, 1523–26 (2016).

66. The TTAB typically decides cases using a three-Member panel drawn from this pool. U.S. PAT. & TRADEMARK OFF., TRADEMARK TRIAL AND APPEAL BOARD MANUAL OF PROCEDURE § 102.03 (June 2020) [hereinafter TBMP].

67. *Id.* § 102.02.

68. It would be more accurate to call it the “use in lawful commerce requirement,” since “lawful” modifies “commerce,” rather than “use.” But to avoid confusion, the Article will employ the PTO’s preferred name.



This Section discusses the origins and evolution of the PTO's lawful use requirement. It exhaustively catalogs the arguments the PTO has made for conditioning registration on compliance with nontrademark laws, as well as the concerns that have prompted the Agency to impose some limits on this requirement.

## 1. PTO Rules

### *a. Forgotten Rule 100.141*

The lawful use requirement first appeared in a formal rule promulgated by the PTO in 1947, soon after Congress passed the Lanham Act.<sup>69</sup> Rule 100.141 was tucked in among a comprehensive set of rules promulgated by the Agency to govern trademark proceedings. In its entirety, Rule 100.141 stated:

100.141 *Federal label approval required in certain cases.* Whenever an application is filed for the registration of a trade-mark which is either a part of or associated with a label for a product which, under the provisions of an act of Congress, cannot be lawfully sold in the commerce specified in the written applications without prior approval of the label by a designated Government agency, a copy of such label and its certification must be made of record in the application . . . .

Types of labels for which prior approval must be secured . . . :

Labels for meat products (Class 46) which are subject to Federal inspection, must be approved by the Meat Inspection Division, Bureau of Animal Industry, Department of Agriculture.

Labels for wines (Class 47) and for distilled alcoholic liquors (Class 49) must be approved by the Federal Alcohol Administration.<sup>70</sup>

As is evident, Rule 100.141 was far narrower than the lawful use requirement the PTO imposes today. It applied only to marks used on the labels of three types of products: meat, wine, and distilled liquors. Two statutes passed before the Lanham Act—the 1906 Meat Inspection Act (“MIA”) and the 1935 Alcohol Administration Act (“AAA”)—required labels for those products to be approved by the United States Department of Agriculture (“USDA”) and the Federal Alcohol Administration, respectively, before they could be sold.<sup>71</sup> Rule 100.141 made compliance with the label approval requirements of those two statutes—but *no other laws*—a condition for registration.

The limit imposed by Rule 100.141 was even more modest than at first glance appears, because the labeling restrictions imposed by the

---

69. 12 Fed. Reg. 3958, 3962 (June 19, 1947) (originally codified at 37 C.F.R. § 100.141).

70. *Id.*

71. Meat Inspection Act of 1906, Pub. L. No. 59-382, 34 Stat. 669, 669; Alcohol Administration Act of 1935, Pub. L. No. 74-401. § 5(e), 49 Stat. 977, 982–84.

AAA and MIA were nearly identical to restrictions imposed by the Lanham Act. The AAA, for example, barred using

a trade or brand name that is the name of any living individual of public prominence . . . if the use of the such name . . . is likely falsely to lead the consumer to believe that the product has been indorsed, made, or used by, or produced for, or under the supervision of . . . such individual.<sup>72</sup>

The AAA also barred use of “disparaging . . . false, misleading, obscene, or indecent” brand names.<sup>73</sup> Similarly, the MIA stipulated that “no meat . . . shall be sold or offered for sale . . . under any false or deceptive name.”<sup>74</sup> Importantly, section 2 of the Lanham Act includes nearly identical restrictions on marks that may be registered by the PTO. Namely, it also bars registration of marks that are deceptive, misleading, scandalous, or obscene, as well as marks that resemble the names of famous persons.<sup>75</sup> In effect, then, Rule 100.141 may not have added any new requirement at all for registration, even for purveyors of meat, wine, or distilled spirits.

The narrowness of this original incarnation of the lawful use requirement is enlightening. The leadership of the PTO circa 1947 was no doubt intimately familiar with the Lanham Act. Had it believed Congress wanted to make compliance with all laws a condition for registration of a mark (as it now insists), the Agency could easily have promulgated a rule to that effect. The fact that the PTO refrained from doing so suggests the Agency doubted the Lanham Act demanded so much of applicants.

There is no legislative history for Rule 100.141, so it remains a bit of a puzzle why the Agency required compliance even with the two specifically enumerated federal labeling statutes. However, Rule 100.141 may have been promulgated to coordinate the PTO’s “shared regulatory space” with two other federal agencies (the USDA and the Federal Alcohol Administration) that were tasked with administering nearly identical restrictions on product names.<sup>76</sup> Put another way, Rule 100.141 may have simply clarified that the PTO would defer to determinations made by those other two agencies regarding whether, for example, the brand name used by a party seeking registration was

---

72. § 5(e)(5), 49 Stat. at 983–84.

73. § 5(e)(4), 49 Stat. at 983.

74. 34 Stat. at 676. To be sure, the MIA and AAA included a few additional requirements not found in the Lanham Act, such as mandating that labels on wine and distilled liquors indicate alcohol content. § 5(e)(2), 49 Stat. at 982.

75. 15 U.S.C. § 1052(a), (c); see *infra* Section II.B for a discussion of section 2.

76. See generally Jody Freeman & Jim Rossi, *Agency Coordination in Shared Regulatory Space*, 125 HARV. L. REV. 1131, 1136 (2012) (exhaustively reviewing methods of interagency coordination). The PTO’s choice to defer to determinations made by those other agencies would constitute “discretionary consultation.” *Id.* at 1157.

deceptive or misleading.<sup>77</sup> Viewed this way, the Rule would prevent federal agencies from reaching different conclusions about the propriety of using a given brand name qua mark.

Unfortunately, the PTO (and commentators) have completely forgotten Rule 100.141 and thus overlooked the lessons it holds for debates over the lawful use requirement.<sup>78</sup>

*b. Rule 2.69*

With only one minor revision (to add lard<sup>79</sup>), Rule 100.141 stayed in effect until 1955, at which point the PTO replaced Rule 100.141 with a much broader rule, renumbered as Rule 2.69. The new Rule provided:

When the sale or transportation of any product for which registration of a trademark is sought is regulated under an Act of Congress, the [Patent and Trademark] Office may . . . make appropriate inquiry as to compliance with such Act for the sole purpose of determining *lawfulness of the commerce* recited in the application.<sup>80</sup>

Rule 2.69 remains in effect to this day and is the only PTO rule concerning the lawful use requirement.<sup>81</sup>

Rule 2.69 greatly expanded the scope of the lawful use requirement. On its face, Rule 2.69 demands compliance with far more than the two specific federal labeling laws that had been referenced by its predecessor.<sup>82</sup> It demands compliance with *all* federal laws. Rule 2.69 thus opened the door for PTO investigations into compliance with a staggering array of federal statutes in trademark registration proceedings.<sup>83</sup>

77. Viewed this way, Rule 100.141 could be considered a procedural rule, an important distinction since the Agency lacks authority to promulgate substantive rules. *See infra* Section II.D.

78. The TTAB has never mentioned Rule 100.141 in a decision, and the PTO has ignored the Rule when recounting the history of its lawful use requirement. *See, e.g.*, Brief and Supplemental Appendix for Appellee, *In re JJ206, LLC*, 2017 WL 4077635, at \*2–7 (Fed. Cir. Aug. 18, 2017) (No. 2017-1350). Likewise, previous scholarship on the lawful use requirement has paid scant attention to Rule 100.141.

79. 14 Fed. Reg. 6639, 6640 (Nov. 1, 1949) (originally codified at 37 C.F.R. § 100.141) (inserting “including lard” after “meat products” in Rule 100.141).

80. 20 Fed. Reg. 4797, 4803 (July 7, 1955) (codified as amended at 37 C.F.R. § 2.69) (emphasis added).

81. In 1989, the PTO made minor cosmetic changes to the rule to conform to the Trademark Law Revisions Act of 1988. 54 Fed. Reg. 37588, 37592 (Sept. 11, 1989) (codified at 37 C.F.R. § 2.69). The Act is discussed *supra* note 60.

82. Although Rule 2.69 literally only authorizes examiners to make inquiries, the TTAB acknowledges that it also authorizes examiners to refuse registration based on their findings, because otherwise those inquiries “would be nothing more than a waste of time and effort.” *In re Stellar Int’l, Inc.*, 159 U.S.P.Q. (BL) 48, 51 (T.T.A.B. 1968).

83. For a sampling of statutes that have formed the basis for lawful use claims, see *supra* notes 4–16 and accompanying text.

Again, there is no legislative history to explain why the PTO adopted this Rule and why it tossed aside the far more limited Rule 100.141. However, the dramatic expansion in the scope of the Agency's lawful use requirement serves as an early indication that the PTO was losing sight of the statute it was supposed to administer and the concerns, like consumer confusion, the Lanham Act was enacted to address.

## 2. TTAB Decisions in Registration Proceedings

Following the promulgation of Rule 2.69, the PTO has made compliance with nontrademark laws a condition for satisfying the "use in commerce" requirement in trademark registration proceedings. Indeed, the lawful use requirement has been raised in more than seventy TTAB decisions since 1957, along with thousands more Office Actions that were never appealed to the TTAB.<sup>84</sup>

Unlike the Agency's Rules, the TTAB's opinions in these registration proceedings help explain why the PTO insists upon "lawful use" for registration.<sup>85</sup> The opinions also reveal, however, that the Agency has harbored some doubts about the legality and wisdom of policing compliance with an ever-expanding array of nontrademark laws—doubts which have prompted the Agency to attempt to rein in its requirement.

The PTO first applied the lawful use requirement in a cancellation proceeding in 1957. *Coahoma Chemical Co. v. Smith* stemmed from a dispute between two parties that sold insecticides using nearly identical marks.<sup>86</sup> In 1950, the PTO denied Coahoma Chemical's application to register the RED PANTHER mark because the mark was too similar to another one (BLACK PANTHER) that had previously been registered by Smith. But a few years later, after discovering that the labels Smith had used on its BLACK PANTHER insecticides did not fully comply with the Federal Insecticide, Fungicide, and Rodenticide Act ("FIFRA"),<sup>87</sup> Coahoma petitioned the

---

84. See TTAB Lawful Use Decisions Dataset (on file with author) (identifying seventy-six TTAB decisions discussing the lawful use requirement between 1957–2020); Office Action Lawful Use Dataset, *supra* note 17.

85. While the agency has mentioned the lawful use requirement in numerous decisions, it has discussed the basis for the requirement in only a handful of them. In most cases, the agency simply takes for granted that the Lanham Act requires lawful use. See, e.g., *In re Silenus Wines, Inc.*, 189 U.S.P.Q. (BL) 533, 535 (T.T.A.B. 1975) (remarking that "[i]t is well settled that no trademark rights can be acquired through unlawful use in commerce").

86. 113 U.S.P.Q. (BL) 413 (Dec. Comm'r Pat. 1957).

87. Federal Insecticide, Fungicide, and Rodenticide Act, ch. 124, 61 Stat. 163 (1947) (codified as amended at 7 U.S.C. §§ 136-136y). Among other things, the Act required labels on "economic

PTO to cancel Smith's BLACK PANTHER mark. In its petition, Coahoma claimed that "use in commerce" meant *lawful* use in commerce, and that, because Smith's products had been mislabeled, its prior sales of BLACK PANTHER insecticide could not serve as the basis for the registration of Smith's mark.<sup>88</sup>

Serving in the role now played by the TTAB, the Assistant Commissioner of Patents ("ACP") agreed with Coahoma.<sup>89</sup> The ACP cancelled Smith's BLACK PANTHER mark on three grounds, including the claim that Smith's sales of mislabeled insecticides could not satisfy the Lanham Act's use in commerce requirement.<sup>90</sup>

In concluding that "use in commerce" means use that did not violate other laws (here, FIFRA), the ACP did not bother to consider the Lanham Act's text, legislative history, or the statute's purposes. Instead, the ACP simply claimed that general principles of property law made it "obvious" that a party could never gain property rights (like ownership of a mark) through unlawful acts, like the sale of mislabeled insecticides. In the terse passage of the opinion on point, the ACP wrote:

May property rights be acquired as a result of unlawful acts? The obvious answer to the question in its simplified form is in the negative. No decision in a trademark case has been found which is directly in point; but in other fields of the law which might reasonably be analogous, i.e. real property and personal property, where claimed ownership was based on acquisition by unlawful means, the principle is so well-established that citation of authorities is unnecessary . . . [U]se of a mark in connection with unlawful shipments in interstate commerce is not use of a mark in commerce which the Patent Office may recognize.<sup>91</sup>

It is difficult to overstate the influence of the ACP's opinion in *Coahoma*, which is commonly described as the "leading case" on the PTO's lawful use requirement.<sup>92</sup> But *Coahoma* was just the first in a long line of registration proceedings in which the PTO has applied the lawful use requirement.

The TTAB issued its next notable decision in 1968, in an appeal from an Office Action. The trademark examiner in *In re Stellar International, Inc.* had refused to register applicant's JETFRESH mark, because the examiner believed applicant's sales of breath fresheners violated the Food, Drug, and Cosmetic Act ("FDCA").<sup>93</sup> In

---

poisons" to include the name and address of the manufacturer, its weight, and various warning labels. § 3, 61 Stat. at 166–167.

88. *Coahoma*, 113 U.S.P.Q. (BL) at 416.

89. See MCCARTHY, *supra* note 53, § 20:99 (explaining trademark procedures in place before the creation of the TTAB in 1958).

90. *Coahoma*, 113 U.S.P.Q. (BL) at 417. As discussed *infra* Section C.1, the court of appeals relied upon one of these alternate grounds to uphold the ACP's cancellation on Smith's mark.

91. *Id.* at 418 (footnote omitted).

92. MALLA POLLACK, CORPORATE COUNSEL'S GUIDE TO TRADEMARK LAW § 2:8 (2020).

93. 159 U.S.P.Q. (BL) 48 (T.T.A.B. 1968).

particular, the examiner thought applicant should have indicated the weight of each package on its product labels, specimens of which had been submitted with its registration application.

On appeal to the TTAB, the applicant argued that the PTO lacked authority under the Lanham Act to refuse registration based on violations of the FDCA, or any other nontrademark law. Stressing the literal language of the trademark statute, the applicant reasoned that “since the mark was used on goods sold in commerce which may be lawfully regulated by Congress, the refusal of registration is not only improper but is not contemplated” by the Lanham Act.<sup>94</sup> In other words, the applicant claimed that because its sales of JETFRESH breath freshener met the express statutory definition of “use in commerce,” the PTO had no business refusing registration of its mark.

Although it offhandedly acknowledged “there is no reference to ‘lawful commerce’ in Section 1 of the trademark statute,”<sup>95</sup> the TTAB nonetheless reaffirmed *Coahoma*’s holding that only lawful sales satisfy the “use in commerce” requirement for registration. In the opinion for the panel, written by Member Lefkowitz, the author of several TTAB lawful use decisions, the TTAB reasoned:

It seems evident that the term “commerce” whenever and wherever used in the trademark statute must necessarily refer to “lawful commerce”; and that the statute was not intended to recognize under its registration provisions shipments in commerce in contravention of other regulatory acts promulgated under the “commerce clause” of the Constitution. To hold otherwise would be to place the Patent Office in the anomalous position of accepting as a basis for registration a shipment in commerce which is unlawful under a statute specifically controlling the flow of such goods in commerce.<sup>96</sup>

Put another way, the TTAB suggested that it would be strange for Congress to confer valuable intellectual property rights under the Lanham Act when the sales that created those rights violated one of its other statutes. To avoid this apparent anomaly, so the argument goes, the statute’s “use in commerce” requirement must be interpreted to imply “[lawful] use in commerce,” or perhaps more accurately, “use in [lawful] commerce.”

Even though it insisted unlawful commerce could not serve as the basis for registration, the TTAB suggested, for the first time, that it should impose some limits on this principle. Recognizing that the PTO was not “properly equipped” to “police *all* the different regulatory statutes to ensure compliance therewith,”<sup>97</sup> the Board recommended, rather vaguely, that trademark examiners should exercise their

---

94. *Id.* at 50 (paraphrasing appellant’s argument).

95. *Id.* at 51.

96. *Id.*

97. *Id.* (emphasis added).

investigative authority under Rule 2.69 “sparingly and only when the file suggests noncompliance with a regulatory act.”<sup>98</sup> More specifically, the Board suggested that

if specimen labels submitted with an application show on their face that the applicant has not complied with the labeling provisions of a regulatory statute governing the shipment in commerce of goods bearing such labels, a question may be raised under Rule 2.69 to ascertain whether or not the applicant had complied with the applicable statute.<sup>99</sup>

(It is worth noting that while many of the TTAB’s early lawful use cases—including *Coahoma* and *In re Stellar*—did involve labeling defects, the PTO has since applied its lawful use requirement to a broad array of legal violations not involving labeling.<sup>100</sup>)

More than a decade after *Stellar*, the TTAB would engage in the Agency’s most extensive and divisive discussion of the lawful use requirement. *Satinine v. P.A.B.*<sup>101</sup> involved a complicated and protracted inter partes dispute over the PAB mark on cosmetics. Suffice to say that one party invoked the lawful use requirement in a petition to cancel the other party’s registration of the mark.<sup>102</sup> Although all three members of the panel agreed that the registrant had not in fact violated any law (they dismissed the petition on that ground),<sup>103</sup> each panelist wrote separately to raise or respond to concerns about the lawful use requirement.

Most interestingly, one member of the panel expressed serious doubts about the legitimacy of the requirement. Member Rice acknowledged that “[a] very persuasive argument can be made for the proposition that there is in fact *no statutory basis* for refusing to grant a registration, or for cancelling a subsisting registration, on the ground of ‘unlawful use.’ ”<sup>104</sup> The Member observed that in *Coahoma*, which “gave birth to the practice of refusing registration on this ground, the Assistant Commissioner did not attempt to set forth a *statutory* basis for the practice, but rather resorted to an analogy with other fields of law, namely, real property and personal property.”<sup>105</sup>

---

98. *Id.*

99. *Id.*

100. See sources cited *supra* notes 4–17 and accompanying text.

101. *Satinine Societa in Nome Collettivo di S.A. e M. Usellini v. P.A.B. Produits et Appareils de Beaute (Satinine v. P.A.B.)*, 209 U.S.P.Q. (BL) 958 (T.T.A.B. 1981).

102. In particular, the petitioner claimed that registrant had abandoned its mark because it had mislabeled its PAB branded cosmetics, in violation of the FDCA, for at least two years—the period of *non-use* that constituted abandonment at the time. *Id.* at 960–62.

103. The panel accepted registrant’s argument that, because its cosmetics were “for professional use,” the retail labeling requirements of the FDCA cited by the petitioner did not apply to sales of the registrant’s products. *Id.* at 963.

104. *Id.* at 964 n.2 (emphasis added).

105. *Id.* (emphasis added).

Seeking to mollify such doubts, a second member of the *Satinine* panel suggested, at last, a textual basis for the lawful use requirement. Member Kera claimed that “lawful” use was necessarily implied by section 1, the section governing the principal register, because another section of the Lanham Act explicitly required “lawful use in commerce” for inclusion on the supplemental register.<sup>106</sup> (The supplemental register is the seldom-used repository of “non-marks” that do not satisfy the requirements for inclusion on the principal register, for example, because they are merely descriptive.<sup>107</sup>) In particular, section 23 of the Lanham Act states:

All marks capable of distinguishing applicant's goods or services and not registrable on the principal register . . . , except those declared to be unregistrable under subsections (a), (b), (c), (d), and (e)(3) of section 1052 of this title, which are in *lawful* use in commerce by the owner thereof . . . may be registered on the supplemental register . . . .<sup>108</sup>

Member Kera reasoned that “it would be wholly contradictory to require ‘lawful use’ for an application to register a mark upon the supplemental register but not to require ‘lawful use’ for an application to register a mark upon the principal register, which confers much greater rights upon the registrant.”<sup>109</sup> Remarkably, this argument, which runs fewer than one hundred words, constitutes the TTAB’s most extensive textualist defense of the lawful use requirement.

Member Kera and the third Member of the panel (Lefkowitz) also defended the requirement on the same grounds given by the TTAB in *Stellar* (which Lefkowitz had written). Referring to that case, Member Kera wrote, “I agree completely that it would be anomalous for the Patent and Trademark Office to accord recognition to the use of a mark when the use relied upon was unlawful. To cite an extreme example, it would be unthinkable to register a mark for use on heroin.”<sup>110</sup> (Put aside that HEROIN was once a trademark owned by the Bayer Corporation.<sup>111</sup>) In a short concurring opinion, Member Lefkowitz remarked simply that “[i]t is recognized that trademark rights cannot accrue from an unlawful use of a mark in commerce. See: *In re Stellar International, Inc.*”<sup>112</sup> In passing, Member Lefkowitz also

106. *Id.* at 967 (Kera, Member, concurring).

107. For an illuminating account of the history of and function served by the supplemental register, see Anne Gilson LaLonde & Jerome Gilson, *The United States Supplemental Register: Solace, Substance, or Just Extinct?*, 103 TRADEMARK REP. 828 (2013).

108. 15 U.S.C. § 1091 (emphasis added).

109. *Satinine*, 209 U.S.P.Q. (BL) at 967.

110. *Id.*

111. *Heroin, Granola, & More: Products that Became Words*, MERRIAM-WEBSTER ONLINE, <https://www.merriam-webster.com/words-at-play/top-10-words-from-trademarks-vol-1/heroin> (last visited Sept. 9, 2021) [<https://perma.cc/86AS-QLLG>].

112. *Satinine*, 209 U.S.P.Q. (BL) at 966.



appeared to suggest that the lawful use requirement (somehow) protected consumers as well, as he recited the statute's purpose of quashing "the deceptive and misleading use of marks" immediately before the line just quoted.<sup>113</sup>

Even though the lawful use requirement survived *Satinine* with the support of at least two-thirds of the panel,<sup>114</sup> the requirement did not escape unscathed. Members Rice and Kera each proposed limits on the requirement that would be endorsed by TTAB panels in later lawful use decisions. Echoing concerns first aired in *Stellar*, Member Rice warned that

[d]ue to a proliferation of federal regulatory acts in recent years, there is now an almost endless number of such acts which the Board might in the future be compelled to interpret in order to determine whether a particular use in commerce is lawful. Inasmuch as we have little or no familiarity with most of these acts, there is a serious question as to the advisability of our attempting to adjudicate whether a party's use in commerce is in compliance with the particular regulatory act or acts which may be applicable thereto.<sup>115</sup>

Thus, to ease the Agency's task of enforcing the requirement, Member Rice suggested that the TTAB should apply it only when the evidence "leave[s] no room for doubt, speculation, surmise, or interpretation" that a mark owner's sales were unlawful.<sup>116</sup> Satisfying this test requires demonstrating either 1) that "the issue of compliance has previously been determined (with a finding of noncompliance) by an entity, such as a court or government agency, having competent jurisdiction under the statute in question," or 2) that "there has been a per se violation of a statute regulating the sale of a party's goods."<sup>117</sup>

For their part, Member Kera cautioned that the TTAB "should not refuse registration or order the cancellation of a registration because of some purely collateral defect such as the use of a container which did not comply with an ICC regulation or the failure of a party to pay an excise tax."<sup>118</sup> Thus, Member Kera proposed that "[t]here must be some nexus between the use of the mark and the alleged violation before it can be said that the unlawfulness of the sale or shipment has resulted in the invalidity of an application or registration."<sup>119</sup>

---

113. *Id.*

114. While Member Rice expressed serious misgivings about the legality and wisdom of the lawful use requirement, the Member apparently believed the Board was bound by Federal Circuit precedent to adhere to the requirement. As explained below, however, the Member misread that precedent. See *infra* Section I.C.1 (discussing the Court of Patent Claims decision in *Coahoma*).

115. *Satinine*, 209 U.S.P.Q. (BL) at 964.

116. *Id.* at 965.

117. *Id.* at 964. As discussed below, the TTAB has never satisfactorily explained what constitutes a "per se" violation of a statute warranting application of the lawful use requirement. See *infra* notes 320–323 and accompanying text.

118. *Satinine*, 209 U.S.P.Q. (BL) at 967.

119. *Id.*

In *General Mills v. Health Valley Foods, Inc.*, the TTAB panel endorsed both proposed limits from *Satinine* and grafted a third limitation onto the increasingly complicated lawful use requirement.<sup>120</sup> This case involved a petition to cancel General Mills' registration of the FIBER ONE mark for use on breakfast cereal, based on the claim that General Mills had failed to list some of the nutritional information required by the FDCA on its cereal boxes. Although General Mills admitted the violation, it protested that it had quickly rectified the error (only the first eighteen boxes out of six hundred thousand sold had been mislabeled); that the omission was "inadvertent"; and that it constituted, at most, a "technical violation" of the statute.<sup>121</sup>

The TTAB agreed that "technical noncompliance should not result in the Draconian result of cancellation of [a] registration."<sup>122</sup> Instead, the Agency opined, the violation must be "material, that is . . . of such gravity and significance that the usage must be considered unlawful[—]so tainted that, as a matter of law, it could create no trademark rights."<sup>123</sup> Although it acknowledged that this limitation would require the PTO "to make a case by case determination of the importance or materiality" of every alleged violation, it suggested this was "preferable to a blanket policy of finding every possible technical violation" grounds for cancellation or refusal of registration, "no matter how minor or harmless the violation may be."<sup>124</sup> Such a "rigid approach," the Agency advised, served "the interests of neither justice nor common sense."<sup>125</sup> The TTAB thus forgave General Mills' "immaterial" transgression of the FDCA and dismissed the petition for cancellation of its mark.

In more recent cases, the TTAB has suggested one final limit on the lawful use requirement, namely, that it demands compliance only with *federal* law.<sup>126</sup> The TTAB reached that conclusion based on the text of Rule 2.69—and notably, not the text of the Lanham Act. Because Rule 2.69 refers to sales regulated "under an Act of Congress," the Board

---

120. 24 U.S.P.Q.2d (BL) 1270 (T.T.A.B. 1992).

121. *Id.* at 1273.

122. *Id.*

123. *Id.* at 1274.

124. *Id.* at 1275.

125. *Id.*

126. See *W. Worldwide Enters. Grp. Inc. v. Qinqdao Brewery*, 17 U.S.P.Q.2d (BL) 1137, 1141 (T.T.A.B. 1990) (dismissing cancellation petition based on violation of foreign law); see also *Netcloud, LLC v. E. Coast Network Servs., LLC*, No. 91210559, 2015 WL 1518045, at \*6–7 (T.T.A.B. Mar. 11, 2015) (sustaining opposition notwithstanding claim that opposer's prior use violated state law).

reasoned, “unlawful’ must be held to imply only such commerce as is unlawful under the Acts of Congress,” and not state or foreign laws.<sup>127</sup>

### C. *The Courts and Lawful Use*

This Section reviews federal court case law discussing the lawful use requirement in both appeals from PTO registration proceedings and in trademark infringement lawsuits. It also offers several reasons why the PTO’s statutory authority to demand lawful use has escaped judicial scrutiny for decades, and why some courts have nonetheless extended the reach of the Agency’s requirement to infringement litigation.

#### 1. Judicial Review of TTAB Lawful Use Decisions

The Lanham Act gives a party “dissatisfied” by a decision of the TTAB two options for challenging that decision in court.<sup>128</sup> The first option is to appeal the Board’s decision directly to the United States Court of Appeals for the Federal Circuit.<sup>129</sup> The second option is to initiate a new civil case in federal district court, naming as the defendant either the opposing party, or the PTO itself in appeals from *ex parte* proceedings.<sup>130</sup> The main difference between the two options is that a district court may consider new evidence, whereas the Federal Circuit will decide the case based on the evidentiary record compiled by the TTAB.<sup>131</sup> Both the district court and the Federal Circuit will review the TTAB’s legal decisions, including the Board’s interpretations of the Lanham Act, *de novo*,<sup>132</sup> and the remedy they provide is the same: the court may order the PTO to register, cancel, or restore a mark.<sup>133</sup>

Notwithstanding the Lanham Act’s elaborate appeal provisions, however, parties have seldom sought judicial review of the TTAB’s lawful use decisions. Stuningly, I found only six TTAB lawful use

---

127. *W. Worldwide*, 17 U.S.P.Q.2d (BL) at 1141.

128. 15 U.S.C. § 1071.

129. *Id.* § 1071(a). The Federal Circuit is an Article III court with nationwide jurisdiction over specialized subject matter, including trademarks. *United States Court of Appeals for the Federal Circuit*, U.S. CT. OF APPEALS FOR THE FED. CIR. (June 2019), [http://www.ca9.uscourts.gov/sites/default/files/the-court/June\\_2019\\_Jurisdiction.pdf](http://www.ca9.uscourts.gov/sites/default/files/the-court/June_2019_Jurisdiction.pdf) [<https://perma.cc/6UVB-ZYMP>].

130. 15 U.S.C. § 1071(b).

131. MCCARTHY, *supra* note 53, § 21:21 (noting that “[t]he ability to buttress the [TTAB] record with new evidence is the primary reason for the dissatisfied party to elect to go to a district court”).

132. *Id.*; *see also In re Save Venice N.Y., Inc.*, 259 F.3d 1346, 1351–52 (Fed. Cir. 2001) (holding that TTAB’s “interpretations of the Lanham Act and the legal tests it applies in measuring registrability, are reviewed *de novo*”).

133. 15 U.S.C. § 1119.

decisions from which appeals were taken—a number representing less than one-twelfth of all TTAB decisions discussing the requirement.<sup>134</sup> Even more importantly, not one of the courts hearing these appeals ultimately addressed whether the TTAB has authority to demand lawful use for registration, either because the parties did not question the Agency's authority in the first place, or because the court was able to decide the case on other grounds and thereby sidestep the authority challenge.<sup>135</sup>

The appeal from the PTO's decision in *Coahoma*—the very first, and arguably most influential, Agency lawful use decision—is the most noteworthy of these cases. Smith, the party whose registration had been cancelled on lawful use grounds, appealed the ACP's decision to the Court of Customs and Patent Appeals, the predecessor to the Federal Circuit.<sup>136</sup> However, the court declined to address the ACP's lawful use decision.<sup>137</sup> Instead, it opted to affirm the cancellation on other grounds (in particular, that appellant did not own the mark).<sup>138</sup> In its opinion, the court pointedly announced that because its decision on the ownership issue was “fatal to the validity” of appellant's registration, it was “unnecessary to pass on the other grounds on which the decision of the Assistant Commissioner was based”—namely, the lawful use requirement.<sup>139</sup>

While the court did not necessarily moot the ACP's lawful use decision,<sup>140</sup> it clearly did not endorse that decision either. Indeed,

134. The six appealed cases are *Smith v. Coahoma Chem. Co.*, 264 F.2d 916, 920 (C.C.P.A. 1959) (cancellation affirmed on other grounds); *In re Application of Silenus Wines, Inc.*, 557 F.2d 806, 812 (C.C.P.A. 1977) (same); *Weight Watchers Int'l, Inc. v. I. Rokeach & Sons, Inc.*, 546 F. Supp. 841, 843–44 (S.D.N.Y. 1982) (challenge to requirement dismissed because not timely pleaded); *Johnson & Johnson v. Jack Frost Lab's Inc.*, No. 89-1291, 1990 WL 488871, at \*1 (Fed. Cir. Mar. 6, 1990) (lawful use not raised on appeal); *O-M Bread, Inc. v. U.S. Olympic Comm.*, 65 F.3d 933, 936 n.2 (Fed. Cir. 1995) (TTAB's “authority” to demand lawful use not challenged on appeal); *Vosk Int'l Co. v. Zao Gruppa Predpriyatij Ost*, No. C11-1488, 2013 WL 5588296, at \*7 (W.D. Wash. Oct. 9, 2013) (same).

135. See cases cited *supra* note 134.

136. *Smith*, 264 F.2d at 916.

137. *Id.* at 920.

138. Even though registrant qua appellant (Smith) was the president of the company that manufactured and sold the insecticides, the ACP and court agreed that title did not make Smith the user of the mark. And because the appellant had not used the mark himself, he could not claim ownership over it. See *id.* at 919.

139. *Id.* at 920.

140. *Id.* This depends on whether the TTAB considers itself bound by alternative grounds for its prior holdings. The general rule for courts of appeals is that “when one or more separate rulings each support the court's result, all of those rulings have precedential effect.” Adam N. Steinman, *To Say What the Law Is: Rules, Results, and the Dangers of Inferential Stare Decisis*, 99 VA. L. REV. 1737, 1802 (2013). But see Pierre N. Leval, *Judging Under the Constitution: Dicta About Dicta*, 81 N.Y.U. L. REV. 1249, 1258 n.23 (2006) (observing that courts may feel “less clearly bound to adhere” to alternative holdings because they may have received less careful attention). But

notwithstanding some misguided TTAB claims to the contrary, the Federal Circuit (and its predecessor court) has never squarely upheld the TTAB's authority to demand compliance with all laws for registration—not in *Smith v. Coahoma*,<sup>141</sup> nor in any case decided since.<sup>142</sup> To be sure, there are a handful of Federal Circuit decisions that mention “lawful use” in passing, but they do so only in the context of quoting other provisions of the Lanham Act that, for reasons explained in Section II.A below, do not apply to the principal register.

There are several possible explanations for the paucity of appeals taken from the TTAB's lawful use decisions. For one thing, in many lawful use cases, the TTAB has found the requirement was not violated, say, because it determined the registrant's sales did not run afoul of any statute.<sup>143</sup> In these cases, the registrant has no cause to appeal, and the other party—in an inter partes dispute—has no incentive to question the Board's *authority* to impose the requirement, only its application thereof. Making an appeal to the courts can also be

---

whether (or not) the TTAB considers itself bound by the ACP's lawful use decision in *Coahoma*, clearly no *court* is bound by that administrative ruling.

141. The TTAB has inexplicably claimed that *Smith v. Coahoma* somehow approved of the PTO's lawful use requirement. In *Satinine*, the TTAB argued that because the *Smith* court “referred only to the issue of whether the shipments in question were legal, and made no mention of any issue as to the propriety of the ‘lawful use’ doctrine . . . , it appears that the Court approved of that doctrine.” *Satinine Societa in Nome Collettivo di S.A. e M. Usellini v. P.A.B. Produits et Appareils de Beaute*, 209 U.S.P.Q. (BL) 958, 964 n.2 (T.T.A.B. 1981). The TTAB added that “[o]n this authority, and for reasons of public policy, the Board has continued the practice of refusing to recognize ‘unlawful use’ for purposes of registration.” *Id.*

The TTAB, however, clearly misread the *Smith* court's opinion. The TTAB focused myopically on the last paragraph of *Smith*, where the court declared that it was “*also unnecessary to pass upon the [ACP's] denial of appellant's*” request to consider new evidence regarding its FIFRA violation. 264 F.2d at 920 (emphasis added). In the second to last paragraph in *Smith*, however, the court declared that it was “*unnecessary to pass on the other grounds on which the decision of the Assistant Commissioner was based,*” grounds which clearly included the lawful use requirement. *Id.*

142. The PTO has erroneously claimed that another Federal Circuit case endorsed the agency's lawful use requirement. See TMEP, *supra* note 60, § 907 (citing *Gray v. Daffy Dan's Bargaintown*, 823 F.2d 522, 526 (Fed. Cir. 1987), for the proposition that “[u]se of a mark in commerce must be lawful use to be the basis for federal registration of the mark”). *Daffy Dan's*, however, is not even a lawful use requirement case. The court mentions “lawful use” only in the context of concurrent registration, for which the Lanham Act does specifically require “concurrent lawful use.” *Daffy Dan's*, 823 F.2d at 525–26; 15 U.S.C. § 1052(d). But as discussed below, in the context of concurrent registration, “lawful use” means *exclusive* use, not use that comports with other laws. See *infra* Section II.A (dissecting the Lanham Act's “use in commerce” requirement); see also McElwain, *supra* note 26 (noting that *Daffy Dan's* “did not involve any alleged violation of a federal statute or implicate Rule 2.69 in any way”).

143. For example, in *Satinine*, the TTAB dismissed the petition for cancellation after concluding that the registrant's sales of cosmetics did not violate the FDCA. See *supra* note 103. The lawful use requirement still imposes heavy costs on registrants, however, even when the PTO finds the requirement has not been violated, i.e., even when the agency does not refuse/cancel registration. After all, the registrant still has to convince the agency that its sales were lawful, which can be a very burdensome undertaking, as discussed *infra* in Section III.C.

costly for the aggrieved party. In *ex parte* proceedings, for example, if a disgruntled applicant opts to initiate a new civil suit against the PTO in district court, the applicant bears not only its own legal expenses, but “all the expenses of the proceeding,” including the PTO’s expenses, *regardless of the outcome of the appeal*.<sup>144</sup> Furthermore, as the requirement became increasingly “well settled” at the PTO, parties may have come to believe that appeal to the courts would prove futile, especially given the TTAB’s unfounded claims that the courts had already upheld the Agency’s authority to impose the requirement.<sup>145</sup> Finally, some parties might have been reluctant to appeal TTAB lawful use decisions because doing so might draw attention to the fact they had violated some nontrademark law. For example, before the DOJ hinted it would no longer enforce the federal marijuana ban,<sup>146</sup> marijuana suppliers might have feared that challenging the lawful use requirement in court would draw the ire of the DOJ and help lay the groundwork for criminal prosecutions against them. For these reasons and others,<sup>147</sup> it is easy to see why so few parties have sought judicial review of the PTO’s lawful use requirement over the past six decades.

## 2. “Unlawful Use” in Trademark Infringement Litigation

Despite the paucity of judicial scrutiny of PTO lawful use decisions, a handful of courts has reflexively adopted the Agency’s lawful use requirement for use in a different context: trademark infringement proceedings.<sup>148</sup> Namely, these courts have held that a

---

144. 15 U.S.C. § 1071(b)(3). Until recently, the expenses covered by the provision were thought to include even the PTO’s attorneys’ fees. *See, e.g.,* *Shammas v. Focarino*, 784 F.3d 219, 225 (4th Cir. 2015) (holding that § 1071(b)(3) “imposes a unilateral, compensatory fee, including attorneys’ fees, on every *ex parte* applicant who elects to engage the resources of the PTO when pursuing a *de novo* action in the district court, whether the applicant wins or loses”). The Supreme Court, however, recently held that an identical rule used in patent cases does not authorize the shifting of attorneys’ fees, and that holding likely bars attorney fee shifting in trademark cases as well. *Peter v. Nantkwest, Inc.*, 140 S. Ct. 365, 374 (2019).

145. *See supra* notes 141–142.

146. *See infra* note 350.

147. For example, before the Supreme Court’s 2015 decision in *B & B Hardware, Inc. v. Hargis Indus., Inc.*, losing parties may also have believed they could relitigate the TTAB’s factual determinations in court if later sued for infringement. *See* 575 U.S. 138, 160 (2015) (clarifying that issue preclusion applies to prior TTAB adjudications). This belief would have further reduced the impetus to take appeal from TTAB lawful use decisions. As Professor Rebecca Tushnet has observed, the *B & B Hardware* Court “raised the stakes of contested registration proceedings.” Tushnet, *supra* note 1, at 892.

148. To date, only two federal courts of appeal, along with a sprinkling of federal district courts outside those circuits, have recognized this unlawful use defense. *See, e.g.,* *CreAgri, Inc. v. USANA Health Scis., Inc.*, 474 F.3d 626, 630 (9th Cir. 2007) (holding that “only lawful use in commerce can give rise to trademark priority”); *United Phosphorus, Ltd. v. Midland Fumigant, Inc.*, 205 F.3d 1219, 1225 (10th Cir. 2000) (holding that the Lanham Act protects marks “lawfully used in

mark owner's "unlawful use" of its mark constitutes a valid defense against infringement of the mark, notwithstanding any likelihood of confusion.<sup>149</sup>

In large part, the courts have based this "unlawful use" defense on the PTO's lawful use requirement.<sup>150</sup> In the most notable of these court decisions, the Ninth Circuit panel in *CreAgri, Inc. v. USANA Health Sciences, Inc.* wrote that "we . . . agree with the PTO's policy and hold that only *lawful* use in commerce can give rise to trademark priority."<sup>151</sup> It therefore dismissed the plaintiff's trademark infringement claim in the case, based on defendant's undisputed allegation that plaintiff's prior sales of dietary supplements had violated the FDCA.<sup>152</sup> In following the PTO's requirement, the *CreAgri* court scrutinized neither the PTO's statutory authority to demand lawful use for registration (which was irrelevant in the case) nor its own authority to demand lawful use for trademark protection. Rather, it largely rested on the TTAB's opinion in *Stellar*, reasoning that

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]."<sup>153</sup>

The *CreAgri* court also proffered a new argument for demanding lawful use, tersely suggesting that "as a policy matter, to give

---

commerce"); *Woodstock Ventures LC v. Woodstock Roots, LLC*, 387 F. Supp. 3d 306, 318 (S.D.N.Y. 2019) (refusing to recognize defendant's intent to expand into marijuana market "because the sale of recreational marijuana is illegal under federal law"); *Scream, Inc. v. Superior Disc., LLC*, No. 17-8177, 2019 WL 2124887, at \*5 (E.D. La. May 15, 2019) ("Trademark rights cannot develop during periods of time when a mark is used in connection with goods which could not be lawfully shipped in interstate commerce."); *Republic Techs. (NA), LLC v. BBK Tobacco & Foods, LLC*, 262 F. Supp. 3d 605, 607 (N.D. Ill. 2017) ("Where a trademark's use in commerce is not lawful, the mark may be canceled."); *Tassel Ridge Winery, LLC v. Woodmill Winery, Inc.*, No. 11-cv-00066, 2013 WL 5567505, at \*5 (W.D.N.C. Oct. 9, 2013) (holding that "use in commerce must be lawful" (internal quotation marks omitted)); see also *Davidoff Extension S.A. v. Davidoff Int'l, Inc.*, 612 F. Supp. 4, 7 (S.D. Fla. 1984) (assuming unlawful use defense exists). A handful of courts have acknowledged but not yet adopted the defense. *E.g.*, *FN Herstal SA v. Clyde Armory Inc.*, 838 F.3d 1071, 1086–87 (11th Cir. 2016) (holding that "[t]his Court has not adopted the unlawful use doctrine and need not do so today" (footnote omitted)).

149. Astrachan, *supra* note 26, at 287 (explaining that "there is no infringement because the plaintiff does not have a protectable mark").

150. *E.g.*, *United Phosphorus*, 205 F.3d at 1225 (relying upon TTAB cases to conclude that "shipping goods in violation of federal law cannot qualify as the 'use in commerce' necessary to establish trademark rights").

151. 474 F.3d at 630.

152. *Id.* at 630–31.

153. *Id.* at 630 (quoting *In re Stellar Int'l, Inc.*, 159 U.S.P.Q. (BL) 48, 51 (T.T.A.B. 1968) (alterations in original)).

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.”<sup>154</sup>

The courts’ failure to scrutinize the PTO’s policy is unfortunate, but by the time the unlawful use defense first surfaced in litigation, courts may have assumed (mistakenly) that the Agency’s policy had already been carefully vetted in appeals taken from the Agency’s lawful use registration decisions. After all, the PTO had been demanding lawful use for nearly two decades before the first district court recognized the unlawful use defense in 1975,<sup>155</sup> and for at least five decades before any federal court of appeals got around to recognizing the defense. As the *CreAgri* court remarked in its decision in 2007, “[i]t has long been the policy of the PTO’s Trademark Trial and Appeal Board that use in commerce only creates trademark rights when the use is lawful.”<sup>156</sup> The longevity of the rule may thus have insulated the PTO’s requirement from closer scrutiny.

The courts’ deference to the PTO’s lawful use policy may have also stemmed from a desire to harmonize the rules applicable to registration and infringement proceedings. Because a court presiding over an infringement lawsuit may cancel registration, infringement litigation serves as an alternative to petitioning the PTO for cancellation.<sup>157</sup> To avoid creating different registration standards for infringement lawsuits, courts may have felt pressured to follow the PTO’s lawful use policy, even if the courts did not necessarily agree with it.<sup>158</sup> And even if they strongly disagreed with the PTO, courts hearing trademark infringement lawsuits could do little about it. The courts could only order the Agency to change its requirements for registration in an appeal from one of the Agency’s registration proceedings.<sup>159</sup>

---

154. *Id.* Section III.B debunks this fairness argument.

155. *See* *Cameo, Inc. v. Plough, Inc.*, No. C73-177, 1975 U.S. Dist. LEXIS 14527 (N.D. Ohio Jan. 3, 1975), *vacated*, 517 F.2d 1404 (6th Cir. 1975); *Cooper, supra* note 26, at 50 (confirming that *Plough* was the first court case to recognize the unlawful use defense under the Lanham Act).

156. *CreAgri*, 474 F.3d at 630 (emphasis added and omitted).

157. *See* *B & B Hardware, Inc. v. Hargis Indus., Inc.*, 575 U.S. 138, 155 (2015) (recognizing that “district courts can cancel registrations during infringement litigation”).

158. *Cf.* *Wasserman, supra* note 65, at 1561 (suggesting courts might defer to the PTO when the Agency is first to confront an issue). In *Sream, Inc. v. Superior Disc., LLC*, for example, the court emphasized that “[t]he general principles qualifying a mark for registration . . . are for the most part applicable in determining whether an unregistered mark is entitled to protection.” No. 17-8177, 2019 WL 2124887, at \*5 (E.D. La. May 15, 2019) (quoting *Two Pesos, Inc. v. Taco Cabana, Inc.*, 505 U.S. 763, 768 (1992)). Noting the TTAB’s decision in *In re Stellar*, the court proceeded to find that the lawful use principle “applies by analogy to the development of common law rights in unregistered trademarks.” *Id.*

159. With respect to trademark infringement decisions issued by courts, the TTAB is bound only as regards that case and the specific mark at issue in it. To be sure, the TTAB might consider infringement decisions to be persuasive authority. However, the Board itself has declared that it



In addition to taking their cues from the PTO, courts recognizing the unlawful use defense may have also been inspired by the equitable clean hands doctrine.<sup>160</sup> In a nutshell, the clean hands doctrine bars judicial relief when a party has engaged in serious and intentional (though not necessarily unlawful) wrongdoing that has a direct connection to the party's claim for relief.<sup>161</sup> Long before any court recognized the unlawful use defense, and before passage of the Lanham Act, federal courts had recognized a clean hands defense to trademark infringement.<sup>162</sup> The defense was usually, though not always, applied against mark owners who had intentionally deceived the public through the use of their marks<sup>163</sup>—a wrong the Lanham Act now addresses directly and explicitly.<sup>164</sup> Although modern courts have rarely mentioned “clean hands” alongside unlawful use, several commentators have conjectured that the unlawful use defense was inspired by the clean hands doctrine.<sup>165</sup>

---

“relies primarily on precedent from the Court of Appeals for the Federal Circuit,” and not other federal courts, in trademark registration proceedings. TBMP, *supra* note 66, § 101.03.

160. See *Johnson v. Yellow Cab Transit Co.*, 321 U.S. 383, 387 (1944) (recalling the adage that “he who comes into equity must come with clean hands”). The relationship between the PTO's lawful use reasoning and the clean hands doctrine is discussed *infra* in Section II.C.3.

161. See Ori J. Herstein, *A Normative Theory of the Clean Hands Defense*, 17 LEGAL THEORY 171, 173 (2011) (defining unclean hands as “[a]ny willful conduct that is iniquitous, unfair, dishonest, fraudulent, unconscionable, or performed in bad faith” that has a connection with the party's cause of action). For ease of exposition, I use “clean hands” to refer to a set of similar legal and equitable doctrines. See *id.* at 176 (noting similarities among clean hands, *in pari delicto*, and *ex turpi causa non oritur actio* doctrines).

162. See, e.g., *Cooper*, *supra* note 26, at 39–42 (discussing early cases).

163. See, e.g., *Clinton E. Worden & Co. v. Cal. Fig Syrup Co.*, 187 U.S. 516, 535 (1903):

It is well settled that if a person wishes his trade-mark property to be protected by a court of equity, he must come into court with clean hands, and if it appears that the trade-mark for which he seeks protection is itself a misrepresentation to the public, and has acquired a value with the public by fraudulent misrepresentations in advertisements, all relief will be denied to him.

(internal quotation marks omitted) (barring recovery for infringement of SYRUP OF FIGS because a mark falsely suggested plaintiff's medicine contained figs); *Manhattan Med. Co. v. Wood*, 108 U.S. 218, 222 (1883) (“A court of equity will extend no aid to sustain a claim to a trade-mark of an article which is put forth with a misrepresentation to the public as to the manufacturer of the article, and as to the place where it is manufactured . . .”).

164. See, e.g., 15 U.S.C. § 1064 (barring registration of marks that are, inter alia, “deceptively misdescriptive” or geographically deceptively misdescriptive of the goods on which they are used).

165. *Cooper*, *supra* note 26, at 38 (suggesting unlawful use doctrine developed to help clarify the sorts of conduct that will be considered sanctionable under the nebulous clean hands doctrine); *McElwain*, *supra* note 26 (suggesting “[t]he source of [the] concern [expressed in *In re Stellar*], though not usually articulated,” is the unclean hands doctrine). As discussed more fully below, however, the unlawful use defense and lawful use requirement are far broader than the clean hands doctrine, thereby undermining any suggestion that the defense and the requirement are based on the ancient equitable doctrine. See *infra* Section II.C.3.

*D. Summary*

Although the Lanham Act does not expressly require lawful use of a mark, the PTO has insisted upon compliance with an ever-expanding array of statutes as a condition for trademark registration. The Agency has seldom addressed its statutory authority to impose this lawful use requirement. Instead, to the extent the PTO has sought to justify the requirement at all, it has made a hodgepodge of thinly developed arguments based mostly on abstract principles of law and policy considerations. But even as it has defended the requirement, the PTO has recognized some of the practical challenges posed by policing compliance with nontrademark laws, and it has thus grafted various limitations onto its creation.

In its seven-plus decades of existence, the courts have never closely scrutinized the PTO's lawful use requirement. To a large extent, they simply have not had the opportunity. Few of the Agency's lawful use decisions have been appealed to the courts, and courts have found simpler, alternative grounds upon which to decide those few appeals that have been taken. However, this lack of scrutiny has not stopped some courts from blindly following the PTO and adopting the Agency's lawful use requirement as a defense to trademark infringement.

The next two Parts subject the lawful use requirement to long-overdue scrutiny. They explain why each of the arguments the PTO has made to defend the requirement are misguided or unfounded. They also offer additional insights to help demonstrate that the lawful use requirement is both unauthorized and unwise.

## II. UNAUTHORIZED: THE LANHAM ACT DOES NOT REQUIRE LAWFUL USE

This Part mounts the first of two fundamental challenges to the lawful use requirement. It scrutinizes the text and history of the Lanham Act, along with the legal principles invoked by the PTO, to demonstrate that the Agency lacks authority to demand lawful use for registration. Put simply, Congress did not want the PTO to police compliance with other statutes when administering the Lanham Act's registration system. Thus, even if the lawful use requirement were a good trademark policy (it is not, for reasons discussed in the next Part), the requirement would still be *ultra vires* and unenforceable.

Section A begins by analyzing the Lanham Act's "use in commerce" requirement. The statute plainly indicates that this requirement is satisfied by the sale or transportation of a good bearing a mark, without regard to the legality of such sale or transportation.

Furthermore, demanding compliance with other laws bears no relationship to the purposes behind requiring “use in commerce.” Section A also debunks the PTO’s lone textual argument for demanding lawful use—the notion that, because Congress explicitly required “lawful use” for registration on the supplemental register, it necessarily (albeit implicitly) intended to do so for the principal register as well. This argument is inconsistent with both the basic tenets of statutory interpretation and the settled meaning of the phrase “lawful use” as it is used elsewhere in the Lanham Act.

Section B then examines a provision of the Lanham Act that has been ignored by the PTO in lawful use cases. This provision specifies the exclusive grounds upon which the Agency may refuse registration of marks used in commerce, and it would have been the natural place for Congress to prohibit registration of marks used in connection with unlawful acts. Congress, however, included no such prohibition in the Lanham Act, a conspicuous omission, given that Congress had expressly barred protection of marks used in unlawful businesses in every prior trademark statute passed before the Act.

Section C turns to the general legal principles the PTO has cited to justify the lawful use requirement. It shows that the PTO has mischaracterized those principles. Contrary to the PTO’s assertion in *Coahoma*, for example, it is widely recognized that one can acquire valid property rights via wrongful acts. In any event, the Agency has overstepped its authority in basing registration requirements on general principles of law, rather than the express language of the Lanham Act.

Section D then explains that the PTO has no power to revise the Lanham Act’s registration requirements on its own initiative. The lawful use requirement, in other words, cannot be sustained as an exercise in the Agency’s rulemaking authority.

#### *A. The Statutory “Use in Commerce” Requirement*

The Lanham Act expressly requires an applicant to “use [a mark] in commerce” to register the mark on the principal register.<sup>166</sup> Importantly, however, the statute itself does not require use of the mark to be *lawful*, at least in the sense now demanded by the PTO—as in compliance with all other federal statutes.

Section 45 of the Act expressly declares that the “use in commerce” requirement “shall be deemed” satisfied when a mark “is placed in any manner on . . . goods” and “the goods are sold or

---

166. 15 U.S.C. § 1051.

transported in commerce.”<sup>167</sup> Furthermore, the statute defines “commerce” expansively, to encompass “all commerce which may lawfully be regulated by Congress,”<sup>168</sup> i.e., not just commerce that Congress considers *lawful*. Thus, the plain language of the Lanham Act indicates that the “use in commerce” requirement is satisfied when an applicant sells or transports goods bearing her mark, without regard to whether such sale or transportation comports with other laws.

The PTO’s demand that sale of a trademarked good comport with all federal statutes also bears no relationship to the purposes of the “use in commerce” requirement. Congress has required mark owners to “use” their marks, in the sense of affixing their marks to a good, since the earliest federal trademark laws.<sup>169</sup> Indeed, as the Supreme Court has recognized, “the right to a particular mark grows out of its use, not its mere adoption.”<sup>170</sup> The purpose of requiring use in this sense is straightforward: affixing the mark to a good establishes the critical connection between the mark and the maker of the good in the minds of consumers.<sup>171</sup> No such connection would be established if a mark owner could simply reserve rights to a word, name, symbol, etc., without actually placing the mark on a product. To ensure that a given mark consistently identifies the source of a good, the Lanham Act ordains that the first party to use the mark can block anyone else from later using the same mark or a confusingly similar mark—that is, the first user has priority over the mark, because consumers will assume that products bearing that mark were made by that party (the first user). Demanding use of a mark is thus an integral part of a trademark system that is, in large part, designed to help consumers identify the source of goods they consume.

Demanding compliance with other statutes, however, is hardly necessary for the trademark system to serve this critical source-identification function. Whether or not the sale of a trademarked good violates some other statute besides the Lanham Act does not affect the mark’s ability to help consumers identify the source of the good. There

---

167. *Id.* § 1127(1).

168. *Id.* (emphasis added). The only commerce (i.e., sales or transportation of goods) that falls outside of this expansive statutory definition is the rare sale or transportation of a good that Congress may not regulate under the Commerce Clause, which is the source of Congress’s constitutional power to regulate trademarks. See *infra* notes 173–176 and accompanying text.

169. For example, Congress’s 1870 trademark statute required “use”—albeit not necessarily use “in commerce”—for protection of a mark. Trademark Law of 1870, Pub. L. No. 41-230, § 78, 16 Stat. 198, 212.

170. *United Drug Co. v. Theodore Rectanus Co.*, 248 U.S. 90, 97 (1918).

171. See 15 U.S.C. § 1127 (defining “trademark” as “any word, name, symbol, or device . . . used by a person . . . to identify and distinguish his or her goods . . . from those manufactured or sold by others and to indicate the sources of the goods”); *infra* Section III.A (discussing the Lanham Act’s source identification function).

is simply no reason to think that the use of a mark that complies with the Lanham Act but violates another law, like the Controlled Substances Act (“CSA”) or the California Vehicle Code, would necessarily deceive or confuse consumers. For example, a consumer who sees a mark like WILLIE’S RESERVE used on cannabis is unlikely to be confused about the *source* of that cannabis just because the sale of the drug violates the CSA. (In fact, as discussed below in Section III.A, the lawful use requirement may contribute to consumer confusion rather than combat it because the requirement prevents companies from protecting their brands, like WILLIE’S RESERVE, from being used by rivals who seek to exploit consumer confusion.) The story would be different, of course, if the use of the mark violated the *Lanham Act*, say, because it was confusingly similar to another previously used mark. Imagine, for example, if the consumer saw a cannabis-infused edible branded KEEF KAT that was not made by or under license with the Hershey Company, the owner of the KIT KAT mark in the United States. In that case, the consumer likely *would* be confused about who made the edible. But the lawful use requirement is not needed to combat violations of the Lanham Act, because the Lanham Act expressly makes infringing use actionable.<sup>172</sup> Indeed, the lawful use requirement only kicks in when some other statute, besides the Lanham Act, has been violated.

Not only is the lawful use requirement unrelated to the purpose of requiring “use” of a mark, it is also unrelated to the purpose of requiring such use to be “in commerce.” The “in commerce” language of section 1 serves a purely jurisdictional function. Namely, it provides the jurisdictional “hook” Congress needs to regulate trademarks under the Commerce Clause.<sup>173</sup> In *The Trade-Mark Cases*, the Supreme Court held that Congress lacked power to regulate trademarks under the Intellectual Property Clause.<sup>174</sup> At the same time, however, the Court suggested that federal trademark legislation might fare better if passed pursuant to the Commerce Clause, so long as Congress expressly limited application of its statute “to the use of trade-marks in

---

172. See, e.g., 15 U.S.C. § 1114(1) (amended 1962):

Any person who shall, without consent of the registrant . . . use in commerce any reproduction . . . [of any] registered mark in connection with the sale . . . of any goods or services on or in connection with which such use is likely to cause confusion, or to cause mistake, or to deceive [purchasers as to the source of origin of such goods or services] . . . shall be liable in a civil action by the registrant . . . .

173. U.S. CONST. art. I, § 8.

174. 100 U.S. 82, 93–94 (1879). The Intellectual Property Clause (or Patents and Copyrights Clause) gives Congress 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.” U.S. CONST art. I, § 8, cl. 8.

[interstate] commerce.”<sup>175</sup> Thus, in every trademark law it has adopted since *The Trade-Mark Cases* were decided, Congress has demanded “use *in commerce*” to ensure that the statute fits comfortably within its Commerce Clause authority.<sup>176</sup>

Not surprisingly, the Congress that passed the Lanham Act sought to maximize the reach of its trademark law. Hence, as noted above, Congress defined “commerce” expansively to cover “*all commerce which may lawfully be regulated by Congress.*”<sup>177</sup> The Supreme Court has characterized this language as giving the Lanham Act a “sweeping reach” and conferring a “broad jurisdictional grant,”<sup>178</sup> especially in light of the Court’s modern, capacious interpretation of the Commerce Clause.

Once again, however, the PTO’s lawful use requirement bears no relation to this jurisdictional purpose. Congress’s definition of the “use in commerce” requirement is focused entirely on whether Congress *may* regulate some activity. That definition plainly seeks to extend the reach of the statute to all activity Congress *may* regulate, regardless of *how* (or even whether) Congress has regulated the activity. The PTO’s lawful use requirement, by contrast, is focused entirely on *how* Congress has regulated some activity—namely, whether Congress has banned the sale of a good on which a mark is used. The PTO’s reasoning in trademark registration proceedings evidences the Agency’s confusion and its erroneous conflation of these two distinct issues. For example, in *East West Bank Co. v. Plubell Firm LLC*, the TTAB suggested that “[t]he unlawful use in commerce doctrine is derived from Section 45 of the Trademark Act, . . . which defines ‘commerce’ as ‘all commerce which may *lawfully* be regulated by Congress.’ Thus, in order to obtain a federal registration, use of a mark in commerce must be *lawful*.”<sup>179</sup> In other words, the TTAB brazenly reordered the words of the Lanham Act to conclude that “commerce which may lawfully be regulated by Congress” is the same as “commerce that Congress has made lawful.”

---

175. *The Trade-Mark Cases*, 100 U.S. at 97. For a deeper dive into the connection between the Intellectual Property Clause and trademarks, see Jeanne C. Fromer, *The Intellectual Property Clause’s External Limitations*, 61 DUKE L.J. 1329, 1360–61 (2012).

176. Trademark Law of 1881, Pub. L. No. 46-138, 21 Stat. 502, 503 (providing for registration of marks “used in commerce with foreign nations or Indian tribes”); Trademark Law of 1905, Pub. L. No. 58-84, § 2, 33 Stat. 724, 724 (providing the same); Trademark Law of 1920, Pub. L. No. 66-163, 41 Stat. 533, 534 (implementing 1910 treaty by providing for registration of certain marks, “which have been in bona fide use for not less than one year in interstate or foreign commerce, or commerce with the Indian tribes”).

177. 15 U.S.C. § 1127 (emphasis added).

178. *Steele v. Bulova Watch Co.*, 344 U.S. 280, 286–87 (1952).

179. No. 92053712, 2016 WL 5219824, at \*13 (T.T.A.B. Sept. 8, 2016) (emphasis added).

Moreover, the PTO's interpretation of "commerce" in section 1 makes little sense when applied to other sections of the Lanham Act that employ that same term. Consider, for example, section 32 of the Lanham Act, which authorizes the owner of any registered mark to recover damages from any person "who shall, in commerce, . . . use" its registered mark without permission, in a way that is "likely to cause confusion, or mistake, or to deceive" purchasers as to the source of goods.<sup>180</sup> In the context of section 32, interpreting "commerce" to cover only *lawful* commerce would generate truly bizarre results. It would allow mark owners to sue for infringement, but only if an infringer had not also violated some other nontrademark law while using the mark; in other words, mark owners could sue only if the infringer's use of the mark had otherwise been lawful. To see why, return to the KEEF KAT example from above. If the PTO's interpretation of "commerce" were correct, the Hershey Company could not pursue a trademark infringement action against the maker of KEEF KAT. After all, the sale of the marijuana edible bearing the KEEF KAT mark would not be lawful under federal law, and thus, would not constitute use "in [lawful] commerce" for purposes of section 32.<sup>181</sup> Not surprisingly, no court has interpreted the term "commerce" to mean only "lawful commerce" for purposes of section 32. Given the "normal rule of statutory construction that identical words used in different parts of the same act are intended to have the same meaning,"<sup>182</sup> the PTO's narrowing interpretation of the word "commerce" in section 1 is out of place and should not stand.

Notably, the TTAB has seldom bothered to address the key language of sections 1 or 45 in devising and defending its lawful use requirement. As discussed above in Section I.B.2, the TTAB did not make *any* textualist argument for the lawful use requirement until roughly thirty-five years after passage of the Lanham Act. In *Satinine*, Member Kera suggested that "lawful" use was necessarily implied by section 1 (the section governing the principal register) because section 23 of the Lanham Act, which governs the supplemental register, explicitly conditioned registration on that register on "*lawful* use in commerce."<sup>183</sup> Member Kera reasoned that "it would be wholly contradictory to require 'lawful use' for an application to register a mark upon the Supplemental Register but not to require 'lawful use' for an

---

180. 15 U.S.C. § 1114 (amended 1962).

181. Indeed, because infringing use is, by definition, *unlawful* under the Lanham Act, *no plaintiff* could recover damages for infringement under section 32, if that provision were interpreted to apply only to infringing, *lawful* use of a mark.

182. *Gustafson v. Alloyd Co.*, 513 U.S. 561, 570 (1995) (internal quotation marks omitted).

183. *Satinine Societa in Nome Collettivo di S.A. e M. Usellini v. P.A.B. Produits et Appareils de Beaute (Satinine v. P.A.B.)*, 209 U.S.P.Q. (BL) 958, 964 n.2 (T.T.A.B. 1981).

application to register a mark upon the Principal Register, which confers much greater rights upon the registrant.”<sup>184</sup> Although Member Kera did not mention it, the Lanham Act includes a second explicit reference to “lawful use,” this one among the requirements for *concurrent* registration of a mark. In particular, section 2 allows a party to register a mark already registered by an unrelated party if the applicant shows “concurrent *lawful* use” of the mark prior to the date the first party applied to register the mark.<sup>185</sup>

But this statutory interpretation argument is unfounded, for two primary reasons. First, it directly contravenes the “familiar principle of statutory construction . . . that a *negative* inference may be drawn from the exclusion of language from one statutory provision that is included in other provisions of the same statute.”<sup>186</sup> Contrary to Member Kera’s suggestion, then, the fact that the Lanham Act expressly refers to “lawful use in commerce” in section 23—but not section 1—strongly suggests that the obligation to obey other laws (if it exists at all) applies only to the former section governing the supplemental register. In other words, Member Kera got the statutory interpretation argument completely backwards. Indeed, Member Rice, who, as noted earlier, expressed doubts about the PTO’s statutory authority to impose the lawful use requirement in *Satinine*, flatly rejected Member Kera’s reasoning: “Inasmuch as the term ‘lawful’ is specifically used in certain sections of the Statute, the suggestion that this term should be read into those sections where it is not used would appear to be a violation of the basic rules of statutory construction.”<sup>187</sup>

Second, and even more fundamentally, Member Kera’s statutory argument misconstrues the meaning of “lawful use” for purposes of section 23. In particular, Member Kera’s assumption that “lawful use” in section 23 (and presumably, other sections of the Lanham Act that employ similar language) means “use that is in compliance with all

---

184. *Id.* at 967 (Kera, Member, concurring)

185. 15 U.S.C. § 1052(d) (emphasis added); *see also id.* §§ 1067, 1071 (both referring to “lawful concurrent user”). Concurrent use registration is permitted only if there is no likelihood of confusion and the party seeking registration had used the mark in commerce before the other party sought registration on the principal register (or else has that party’s consent). In 1999, Congress added a third reference to “lawful use” addressed to cyberpiracy. This amendment makes a party liable for “bad faith intent to profit” from the use of a *domain* name that is confusingly similar to a mark protected by the Lanham Act, but it also creates a safe harbor for defendants who “believed and had reasonable grounds to believe that the use of the domain name was a fair use or otherwise *lawful*.” *Id.* § 1125(d)(A)-(B) (emphasis added).

186. *Hamdan v. Rumsfeld*, 548 U.S. 557, 578 (2006) (emphasis added); *see also Romag Fasteners, Inc v. Fossil, Inc.*, 140 S. Ct. 1492, 1495 (2020) (“Nor does this Court usually read into statutes words that aren’t there. It’s a temptation we are doubly careful to avoid when Congress has (as here) included the term in question elsewhere in the very same statutory provision.”).

187. *Satinine*, 209 U.S.P.Q. (BL) at 964 n.2.



federal statutes” is just plain wrong. The term “lawful use” in these sections has been consistently interpreted to mean in compliance with other provisions of the Lanham Act rather than in compliance with all federal laws.<sup>188</sup> With respect to the supplemental register (section 23), “lawful use” is understood to mean the *exclusive* use of a mark.<sup>189</sup> With respect to concurrent registration (section 2(d)), “concurrent lawful use” is understood to mean use of a mark in a particular geographic area that predates another party’s registration of the same mark (i.e., use that is consistent with rules allowing for concurrent use).<sup>190</sup> In other words, the Lanham Act allows a party to concurrently use a mark similar to one on the principal register, but only if the party had used the mark in commerce before the other party had sought registration on the principal register.<sup>191</sup>

So understood, where Congress expressly refers to “lawful use” of a mark in the Lanham Act, the term “lawful” appears to modify “use” rather than “commerce.” This is more than a semantic difference. The lawful use of a trademark is distinguishable from the use of a mark (lawful or otherwise) in lawful commerce. As explained above, use entails affixing the mark to a good, while commerce refers to the sale of the good. One could use a mark unlawfully without necessarily violating a separate law restricting the sale of the good. Consider, for example, Modest Brewing Company affixing the name DILLY DILLY ALE to one of its beers. The use of this mark without Budweiser’s permission likely violated the Lanham Act, even though the sale of the beer violated no other law.<sup>192</sup> Conversely, one could use a mark lawfully, but still break the law in selling the good on which it was affixed. Imagine, for example, Budweiser affixing its mark to a case of cannabis-infused beer, calling it CANNABUDWEISER. The sale of this beer in commerce

---

188. See Rabe, *supra* note 26, at 323.

189. Richard L. Kirkpatrick, *The Supplemental Register Under the Trademark Revision Act: Additions, Deletions and Omissions*, 79 TRADEMARK REP. 248, 258–61 (1989) (explaining historical rationale behind requiring lawful qua exclusive use of a mark for registration on the supplemental register). While some commentators have criticized the prevailing interpretation of “lawful use,” none have suggested that “lawful” means in compliance with all federal law. *E.g.*, LaLonde & Gilson, *supra* note 107, at 839–41.

190. *E.g.*, Fleming Cos. v. Thriftway, Inc., 809 F. Supp. 38, 42 (S.D. Ohio 1992) (“A ‘lawful use’ is the use of a mark in connection with goods or services in a territory not covered by another party’s registration.”).

191. Finally, with respect to the cyberspiracy provision added in 1999 (§ 1125(d)), “lawful use” is understood as use that does not infringe the trademark rights of another party, say, because the trademark was merely descriptive. *E.g.*, Lahoti v. VeriCheck, Inc., 586 F.3d 1190, 1204 (9th Cir. 2009) (noting defendant’s claim that mark was merely descriptive and thus not entitled to trademark protection but rejecting claim as disingenuous).

192. Tim Nudd, *Bud Light Sent a Hilarious Cease-and-Desist Scroll to the Makers of Dilly Dilly Ale*, ADWEEK (Dec. 2, 2017), <https://www.adweek.com/creativity/bud-light-sent-a-hilarious-cease-and-desist-scroll-to-the-makers-of-dilly-dilly-ale/> [<https://perma.cc/A7P4-TXK2>].

would violate federal laws against the distribution of marijuana, even though the use of the mark was perfectly legal under the terms of the Lanham Act.

Simply put, in the few places where Congress explicitly referred to “lawful use” in the text of the Lanham Act, it did so to indicate that trademark rights were reserved for mark owners who complied with other parts of the Lanham Act—e.g., for those whose use of a mark did not infringe on the rights of other mark owners, deceive consumers, and so on. Once we understand what it meant by “lawful” in these other sections of the Lanham Act, Congress’s decision to omit the term “lawful” from section 1 makes perfect sense. Other language of section 1 already makes compliance with the rest of the Lanham Act a condition for registration on the principal register. For example, section 1 explicitly requires a mark owner to vouch in its registration application that “to the best of [its] knowledge and belief, no other person has the right to use such mark in commerce” and the use thereof is not likely “to cause confusion, or to cause mistake, or to deceive.”<sup>193</sup> It was thus unnecessary for Congress to insist that use of a mark be “lawful,” in the sense of not being confusingly similar, etc. to another registered mark.

Over the years, the PTO has made various exceptions to its lawful use requirement that further disregard actual statutory text. Rather than demanding strict compliance with all laws (which is presumably what an express “lawful commerce” requirement would entail), the Agency now demands only partial compliance with a subset of laws. As discussed above, the Agency suggests that the Lanham Act only bars registration based on violations that have already been adjudicated by another federal agency or court, or those that the PTO itself considers to be “per se” violations of law—and then, only when the violation involves federal law, and only when the Agency considers the violation to be “material,” and then, only when it has “some nexus” to the wrongdoer’s use of its mark. Putting aside the daunting problems the Agency has encountered in defining and applying these exceptions (Section III.D exposes those problems), the exceptions undermine any claim that the lawful use requirement is based on the text of the Lanham Act. In fact, the PTO has never even bothered to try to connect the idiosyncrasies of the requirement it now applies to any statutory language.

---

193. 15 U.S.C. § 1051(b)(3)(D).

*B. The Statutory Grounds for Refusing Registration*

In the Lanham Act, Congress also specified the specific grounds upon which the PTO could refuse registration of a mark that otherwise satisfied the requirements of section 1. The grounds for refusal are expressly enumerated in section 2 of the Lanham Act. To simplify somewhat, section 2 bars registration for only the following specific categories of marks: immoral, deceptive, scandalous, disparaging, geographical, confusing, merely descriptive, or functional marks; marks consisting of the flag or insignia of a government; marks consisting of the name, image, or signature of a living person or dead president without their consent; and marks that consist primarily merely of a surname.<sup>194</sup> The Supreme Court has recently invalidated three of these grounds for refusal—the bans on immoral, scandalous, and disparaging marks—on constitutional grounds.<sup>195</sup>

Had Congress intended to preclude registration of a mark because it was used in unlawful commerce, section 2 would have been the natural place to put such a restriction. However, violation of other laws is not among the prohibitions specifically enumerated in section 2. Several factors suggest the omission was no mere oversight—in other words, that there exists no implied bar against registration based on violations of other statutes.

First, Congress expressly forbade the PTO from refusing registration for any reason other than the grounds specifically enumerated in section 2. The section declares that “No trademark . . . shall be refused . . . on account of its nature *unless*” it falls into one of the specific prohibitions listed above.<sup>196</sup> The language of section 2 thus refutes the notion that the Lanham Act implicitly bars registration based on violations of other statutes.

Second, the PTO’s prohibition on the registration of marks used in unlawful commerce is different in kind from the prohibitions Congress listed in section 2.<sup>197</sup> Each of those enumerated prohibitions targets controversies with the mark itself—for example, that the *mark* is misleading or scandalous—rather than controversies with the goods on which a mark is used—for example, that the good is scandalous or that the sale of it is unlawful. To illustrate, consider section 2’s ban on marks that are confusingly similar to other marks and marks that are

---

194. *Id.* § 1052.

195. See sources cited *supra* note 42.

196. 15 U.S.C. § 1052 (emphases added).

197. See *Norfolk & W. Ry. v. Am. Train Dispatchers’ Ass’n*, 499 U.S. 117, 129 (1991) (“Under the principle of *ejusdem generis*, when a general term follows a specific one, the general term should be understood as a reference to subjects akin to the one with specific enumeration.”).

merely descriptive.<sup>198</sup> Such marks are objectionable because they are not distinctive,<sup>199</sup> and thus, cannot perform one of the prime functions performed by a mark—namely, helping consumers identify the source of a good.<sup>200</sup> Importantly, however, the Lanham Act does not bar the registration of a distinctive mark used on an undistinctive product. In other words, a mark owner could successfully register a distinctive mark even if it is used on a generic good like aspirin—think of BAYER® aspirin. By contrast, the PTO's lawful use requirement is concerned solely with problems with the goods on which a mark is used, or even more precisely, problems with the sale of those goods, namely, that the sale of those goods violates some other federal law.

Third, the omission from the Lanham Act of an express prohibition on registration of marks used in unlawful commerce is especially noteworthy because Congress had expressly barred recovery for infringement of marks used in unlawful commerce *in every prior trademark statute it had passed*. Congress's early forays into trademark law—including key statutes passed in 1870, 1881, 1905, and 1920—were modest. These statutes created limited federal protection for trademarks, including a cause of action for trademark infringement.<sup>201</sup> But each of these early federal trademark laws *expressly* adopted something like our present-day lawful use requirement, namely, a provision denying certain trademark rights to parties who had engaged in actions that violated other statutes. The 1870 federal trademark statute is illustrative. This short statute created a cause of action for “wrongful use” of a trademark, but then expressly declared “[t]hat no action shall be maintained under . . . this act by any person claiming the exclusive right to any trade-mark which is used or claimed in any *unlawful business*.”<sup>202</sup>

Every other major trademark law passed prior to the Lanham Act included a similar provision that expressly denied relief to the owner of a mark who used it in an “unlawful business.”<sup>203</sup> These provisions demonstrate one critical point: before the passage of the Lanham Act, Congress clearly indicated that it wanted to make federal

---

198. 15 U.S.C. § 1052(d)-(e).

199. Distinctiveness is typically judged along a spectrum, the details of which are not relevant here. See generally *Abercrombie & Fitch Co. v. Hunting World, Inc.*, 537 F.2d 4 (2d Cir. 1976).

200. This purpose is discussed *infra* in Section III.A.

201. See Horwitz & Levi, *supra* note 51, at 60 (describing early statutes as “largely ineffective”).

202. Act of July 8, 1870, Pub. L. No. 41-230, § 84, 16 Stat. 198, 212 (emphasis added).

203. Trademark statutes passed in 1881, 1905, and 1920 adopted language that was nearly identical. Trademark Law of 1881, Pub. L. No. 46-138, § 8, 21 Stat. 502, 504; Trademark Law of 1905, Pub. L. No. 58-84, § 21, 33 Stat. 724, 729; Trademark Law of 1920, Pub. L. No. 66-163, § 6, 41 Stat. 533, 535 (incorporating earlier bars by reference).

trademark protection conditional on compliance with other laws, at least to some degree.<sup>204</sup> The fact that Congress dropped this express bar—which had been a fixture of federal trademark law since 1870—suggests it did not wish to carry forward the prohibition when it overhauled federal trademark law in 1946.<sup>205</sup>

The omission of a broad bar to registration is even more noteworthy because Congress did make violation of one type of law—federal antitrust law—a defense against a trademark infringement lawsuit under the Lanham Act. Specifically, section 33 of the Act provides that it is a defense to any infringement action that the mark in question “has been or is being used to violate the antitrust laws of the United States.”<sup>206</sup> The defense may have been added to the Lanham Act out of concerns that trademarks were being used to perpetrate antitrust violations.<sup>207</sup> The defense, however, does not apply to violations of any other federal (or state) statute. While the antitrust provision constitutes a bar to recovery for infringement, rather than a bar to registration, it nonetheless shows that Congress knew how to expressly condition trademark rights on compliance with other laws. In similar circumstances, courts have routinely refused to recognize implied prohibitions in one section of a statute when Congress expressly included similar prohibitions in other sections of the same statute.<sup>208</sup>

The foregoing arguments strongly suggest that the omission of an express bar against registration of marks used in unlawful commerce was no mere oversight in the Lanham Act. Although there is no legislative history regarding why Congress abandoned the express prohibition on registration of marks used in unlawful businesses, Part III below offers several compelling reasons why Congress might not have wanted the PTO to assess compliance with nontrademark laws when administering the trademark registration system. For example,

---

204. Although few cases applied the provisions, most courts interpreted the bars as essentially codifying the clean hands doctrine. *See* *Youngs Rubber Corp. v. C. I. Lee & Co.*, 45 F.2d 103, 107–10 (2d Cir. 1930); *see also* *Cooper*, *supra* note 26, at 42; *Rabe*, *supra* note 26, at 315–17.

205. Notably, Congress did carry forward other prohibitions from earlier trademark laws, even as it dropped the prohibition directed against unlawful businesses. For example, Congress’s 1905 trademark statute barred registration of immoral and scandalous marks. Trademark Law of 1905, ch. 592, 33 Stat. 724. The Lanham Act, of course, included similar prohibitions, which remained in effect until they were invalidated by the Supreme Court. *See* sources cited *supra* note 42.

206. 15 U.S.C. § 1115(b)(7).

207. *See* *Timken Roller Bearing Co. v. United States*, 341 U.S. 593, 599 n.8 (1951) (noting rationale for § 33(b)(7) “was that ‘trade-marks have been misused . . . in connection with cartel agreements’” (quoting 92 CONG. REC. 7872 (1946)), *overruled on other grounds by* *Copperweld Corp. v. Indep. Tube Corp.*, 467 U.S. 752 (1984).

208. *See, e.g.,* *Meghrig v. KFC W., Inc.*, 516 U.S. 479, 485 (1996) (refusing to find implied remedy in the Resource Conservation and Recovery Act, because Congress had expressly included that remedy in other statutes, thereby demonstrating “that it knew how to provide for the recovery of cleanup costs”).

federal law had become more pervasive and complex in the eight decades between passage of the first federal trademark law in 1867 and passage of the Lanham Act in 1947. Congress might have wanted to spare the PTO the burden of determining whether trademark applicants had complied with an ever-expanding array of federal statutes and regulations.<sup>209</sup> Notably, the PTO has never addressed section 2 in its lawful use requirement decisions, nor has it ever attempted to explain away why Congress omitted the express bar on protection of marks used in unlawful business from the Lanham Act after including it in prior trademark legislation, or why Congress expressly targeted antitrust violations, but not violations of other federal statutes, in formulating the defenses for trademark infringement.

### C. General Principles of Law

The PTO's lawful use requirement has no basis in statutory text, as just demonstrated. This Section shows that the requirement also has no basis in more abstract, general principles of law.

#### 1. *Coahoma's* "Well-Established" Principle of Property Law

In *Coahoma*, the PTO based its new lawful use requirement entirely on the notion that property rights could never be acquired by unlawful means.<sup>210</sup> The PTO claimed this principle was so well established in property law that "citation of authorities" was "unnecessary."<sup>211</sup>

The PTO's bald assertion, however, is just plain wrong. Contrary to the PTO's suggestion, it is widely recognized that one *can* acquire valid property rights via unlawful acts. A property law scholar aptly summarized the long-settled view in remarking that

[i]t is hornbook law that possession of a chattel, even without claim of title, gives the possessor a superior right to the chattel against everyone but the true owner. . . . This special property interest exists even in the most extreme case: that in which the possessor has obtained the chattel by trespass, fraud, or theft.<sup>212</sup>

*Anderson v. Gouldberg* aptly illustrates the fault in the PTO's premise.<sup>213</sup> In the famous case, plaintiff illegally cut logs on land that

---

209. See *infra* Section III.C.

210. See *supra* Section I.B.2.

211. *Coahoma Chem. Co. v. Smith*, 113 U.S.P.Q. (BL) 413, 418 (Dec. Comm'r Pat. 1957)

212. R.H. Helmholz, *Wrongful Possession of Chattels: Hornbook Law and Case Law*, 80 NW. U. L. REV. 1221, 1221 (1986) (recognizing but also critiquing the principle).

213. 53 N.W. 636 (Minn. 1892).

was not his—i.e., he unlawfully converted the landowner's property. Plaintiff then took the logs to the defendant's sawmill. Defendant, in turn, stole the logs from plaintiff, probably figuring plaintiff would just walk away. However, plaintiff sued defendant for conversion. The court recognized that plaintiff was a thief, but it held that plaintiff still had a property right in the logs and could sue defendant for conversion, notwithstanding plaintiff's wrongdoing in obtaining the logs.<sup>214</sup> Of course, the court recognized that plaintiff's rights were inferior to those of the owner of the land from which plaintiff had taken the logs.<sup>215</sup> But the court's recognition of this limitation on plaintiff's rights does not detract from its holding that a wrongdoer (like plaintiff) *can* acquire property rights vis-à-vis other parties with inferior claims (like defendant).

In many respects, using a trademark is analogous to taking possession of the mark. Just like the prior possessor of tangible property holds a superior claim to that property vis-à-vis any subsequent possessor, the prior user of a mark holds a superior claim to that mark vis-à-vis any subsequent user thereof.<sup>216</sup> And if, in the case of tangible property, it is of no consequence that the prior possessor took possession via unlawful actions,<sup>217</sup> neither should it matter, for purposes of trademark law, that a prior user made use of a mark in unlawful sales. At the very least, contrary to the PTO's declaration in *Coahoma*, there is no universal principle of property law that would necessarily deny a party's claim to a mark based on wrongdoing associated with the use thereof.

Ironically, the PTO itself confers analogous intellectual property rights by issuing patents on goods that are plainly illegal. Although the

---

214. *Id.* at 637 (“When it is said that to maintain replevin the plaintiff's possession must have been lawful, it means merely that it must have been lawful as against the person who deprived him of it; and possession is good title against all the world except those having a better title.”).

215. *Id.*

216. For a discussion of timing as a “bedrock principle” in both real and intellectual property, see Dotan Oliar & James Y. Stern, *Right on Time: First Possession in Property and Intellectual Property*, 99 B.U. L. REV. 395 (2019). See also *id.* at 428–29 (“Requiring ‘use’ of a trademark has a fairly clear connection to possession. Possession is the basic precondition of use, and to use a resource is almost axiomatically to possess it.”); Jake Linford, *Trademark Owner As Adverse Possessor: Productive Use and Property Acquisition*, 63 CASE W. RESV. L. REV. 703, 706 (2013) (“[T]he parallels between acquiring real property through adverse possession and acquiring rights to the exclusive use of trademarks are substantial . . .”).

217. *Anderson* is but one of many authorities recognizing that rights may be acquired in property via wrongful (e.g., illegal) acts. See also, e.g., *United States v. Haqq*, 278 F.3d 44, 50 (2d Cir. 2002) (recognizing “the well-settled common-law rule [is] that a thief in possession of stolen goods has an ownership interest superior to the world at large, save one with a better claim to the property” (alteration in original) (internal quotation marks omitted)); *Gov't of the V.I. v. Edwards*, 903 F.2d 267, 273 (3d Cir. 1990) (“It has long been a principle of common law that one in possession of property has the right to keep it against all but those with a better title.”).

courts once held that illegal inventions could not satisfy the utility requirement for patents,<sup>218</sup> the Federal Circuit has recognized that this restriction “has not been applied broadly in recent years.”<sup>219</sup> For example, the PTO has issued dozens of patents on cannabis-related inventions, notwithstanding the fact that the CSA bans the manufacture, sale, and possession of these items.<sup>220</sup> Examples include patents issued for potent cannabis plant strains (like “Rainbow Gummeez”), improved methods for cultivating and harvesting cannabis (including an energy efficient, automated farming system to “produce cannabis for human consumption”), and concentrated marijuana compounds to treat “ailments and diseases.”<sup>221</sup> The issuance of these patents on unlawful goods is difficult to reconcile with the PTO’s steadfast refusal to register trademarks on nearly identical marijuana products, including plant strains and paraphernalia used to grow and harvest cannabis.<sup>222</sup> When issuing patents, the PTO has looked askance at possible violations of sundry other statutes, including the Federal Insecticide, Fungicide, and Rodenticide Act,<sup>223</sup> the same statute that had been violated in *Coahoma*. Rather than scrutinizing whether an invention could be made, sold, or even possessed lawfully, the PTO leaves it to other agencies to decide how to enforce statutes that might regulate the manufacture, possession, use, and distribution of the invention<sup>224</sup>—the very approach the PTO has flatly dismissed for

---

218. See *Lowell v. Lewis*, 15 F. Cas. 1018, 1019 (Story, Circuit Justice, C.C.D. Mass. 1817) (noting courts will deny patents for inventions that are “injurious to the well-being, good policy, or sound morals of society” such as “a new invention to poison people, or to promote debauchery, or to facilitate private assassination”).

219. *Juicy Whip, Inc. v. Orange Bang, Inc.*, 185 F.3d 1364, 1366–67 (Fed. Cir. 1999); see also *Whistler Corp. v. Autotronics, Inc.*, No. CA3-85-2573-D, 1988 WL 212501, at \*2 (N.D. Tex. July 28, 1988) (upholding patent for radar detector, even though it primarily served to thwart law enforcement). For a discussion of these and other cases, see William J. McNichol, Jr., *The New Highwayman: Enforcement of U.S. Patents on Cannabis Products*, 101 J. PAT. & TRADEMARK OFF. SOC’Y 24 (2019) (also suggesting some limits remain on issuing patents for unlawful goods).

220. McNichol, *supra* note 219, at 26 (noting that “at least 3000 cannabis patents have been issued over the last 20 years,” ranging from strains of cannabis plant to methods for administering the drug).

221. See *USPTO Patent Full-Text and Image Database*, U.S. PAT. & TRADEMARK OFF., <http://patft.uspto.gov/netahtml/PTO/search-bool.html> (last visited Oct. 5, 2021) [<https://perma.cc/HH4Q-2EU6>]. The database is searchable; for example, typing “rainbow gummeez” into the query box will bring you to the patent information for that product.

222. See *infra* note 280 and accompanying text (discussing TTAB marijuana lawful use cases). To be sure, the analogy between patents and trademarks is imperfect, because a patent applicant does not need to build or use its invention before seeking a patent. See generally John F. Duffy, *Reviving the Paper Patent Doctrine*, 98 CORNELL L. REV. 1359 (2013) (discussing the patent approach). This difference alone, however, does not reconcile the inconsistency in the PTO’s consideration of illegality in the trademark and patent contexts.

223. See McNichol, *supra* note 219, at 37–38 (noting that PTO ignores FIFRA violations when issuing patents).

224. *Id.* at 37:



trademarks.<sup>225</sup> While courts *might* balk at enforcing patents on unlawful goods,<sup>226</sup> that has not stopped the Agency from issuing patents in the first instance.

Notably, and to its credit, the Federal Circuit, then called the Court of Customs and Patent Appeals, did not endorse the PTO's faulty property law reasoning in *Coahoma*. Although it upheld the Agency's cancellation of registration, it did so on grounds totally unrelated to the registrant's apparent violation of FIFRA. Namely, it held that the registrant never actually owned the mark in question and thus could not have used that mark in commerce, lawfully or unlawfully.<sup>227</sup> The court thus expressly demurred on the question whether trademark rights could be acquired as a result of unlawful acts.<sup>228</sup>

In any event, even if the PTO's description of property law were accurate, it has never explained how, exactly, this *common law* principle became part of the Lanham Act's *statutory* requirements for registration. Importantly, Congress does not always incorporate common law doctrines—even supposedly well-established ones—into its statutory schemes. The Supreme Court has cautioned that the “canon on imputing common-law meaning [to statutes] applies only when Congress makes use of a statutory *term* with established meaning at common law,” such as “larceny.”<sup>229</sup> The phrase “use in commerce” simply does not fit the bill, as it was not borrowed from the common law. Rather, the phrase was coined to serve a specific, jurisdictional purpose, and Congress expressly defined each of its constituent terms to serve that purpose (as discussed earlier).

---

Where the determination of the legality of the uses that may be made of an invention is outside the expertise of the PTO, . . . the PTO will grant the patent, and defer to the agency with specific expertise and authority in that area to determine whether it should take enforcement action . . . .

225. In *Satinine v. P.A.B.*, Member Lefkowitz took “exception to the suggestion” that the TTAB should apply the lawful use requirement only when a violation had already been found “by a court or agency having competent jurisdiction under the act in question.” *Satinine Societa in Nome Collettivo di S.A. e M. Usellini v. P.A.B. Produits et Appareils de Beaute (Satinine v. P.A.B.)*, 209 U.S.P.Q. (BL) 958, 966 (T.T.A.B. 1981) (Lefkowitz, Member, concurring).

226. McNichol, *supra* note 219, at 40 (noting that “[e]ven if the U.S. PTO has the authority to grant patents” on unlawful products, courts might still object to enforcing those patents). The enforceability of cannabis patents is still unsettled. United Cannabis Corporation filed the first cannabis patent infringement lawsuit in July 2018. However, the case was stayed before the court could address enforceability when United Cannabis filed for bankruptcy. Matthew Bultman, *United Cannabis Suit Stayed After Bankruptcy Filing*, BLOOMBERG L., <https://www.bloomberglaw.com/bloomberglawnews/ip-law/XD9RACTG000000> (last updated Apr. 22, 2020, 12:22 PM) [<https://perma.cc/26FM-JGH3>].

227. See *supra* notes 138–141 and accompanying text.

228. *Smith v. Coahoma Chem. Co.*, 264 F.2d 916, 920 (C.C.P.A. 1959).

229. *Carter v. United States*, 530 U.S. 255, 264–65 (2000).

Simply put, the very first argument the PTO ever gave for its lawful use requirement, and the only argument it gave in its most influential lawful use decision, is both fundamentally flawed and irrelevant for deciding whether the Lanham Act conditions registration on compliance with other laws.

## 2. The “It Would Be Anomalous” Argument

In *Stellar*, the TTAB offered a slightly different formulation of the argument espoused in *Coahoma*, this time citing a supposed principle of statutory interpretation, rather than a doctrine of property law, as the basis for its lawful use requirement. Namely, the TTAB suggested it would be “anomalous” for an agency to confer rights under one statute based on actions that violated another statute.<sup>230</sup> To avoid this anomaly, the panel reasoned, the Lanham Act must be interpreted to require compliance with other statutes as a condition for registering a mark with the PTO. In fact, the TTAB later claimed it would be “unthinkable” for the Agency to do otherwise—i.e., for the Agency to ignore violations of other federal laws when administering the Lanham Act’s trademark registration system.<sup>231</sup>

However, like the ACP’s reasoning in *Coahoma*, this argument rests on a flawed premise. It would only be “anomalous” or “unthinkable” for an agency to confer rights based on unlawful acts if Congress never authorized agencies to do such a thing. But Congress does, in fact, confer statutory rights on parties who violate other federal statutes.<sup>232</sup> For example, undocumented immigrants may sue firms for employment discrimination, workplace injuries, and other labor law violations, notwithstanding the fact their employment and very presence in the United States likely violates federal immigration laws.<sup>233</sup> Similarly, purveyors of obscene material can obtain federal copyright protection, notwithstanding their violation of obscenity laws.<sup>234</sup> As discussed above, inventors can also obtain patents on

---

230. See *supra* notes 93–96 and accompanying text (discussing *In re Stellar*). The Ninth Circuit parroted the same argument in *CreAgri, Inc. v. USANA Health Scis., Inc.*, discussed *supra*, notes 151–153 and accompanying text.

231. See *supra* notes 110–113 (discussing *Satinine v. P.A.B.*).

232. See McElwain, *supra* note 26 (identifying examples of statutes that confer rights on individuals who have acted unlawfully and suggesting that “if what [the *In re Stellar* panel] meant by ‘anomalous’ is ‘unusual,’ then arguably this is not so”).

233. See, e.g., *Employment Rights of Undocumented Workers*, LEGAL AID AT WORK, <https://legalaidatwork.org/factsheet/undocumented-workers-employment-rights/> (last visited Oct. 20, 2021) [<https://perma.cc/3PQN-QPYU>] (“With a few exceptions, undocumented workers enjoy all of the legal rights and remedies provided by both federal and California law.”).

234. See, e.g., James R. Alexander, *Evil Angel Eulogy: Reflections on the Passing of the Obscenity Defense in Copyright*, 20 J. INTELL. PROP. L. 209 (2013) (discussing cases).

inventions that are illegal or serve illegal purposes.<sup>235</sup> Congress also allows most criminals to deduct their business expenses when calculating their federal tax liability.<sup>236</sup> To be sure, Congress made an express exception for illegal drug dealers, explicitly barring them from making certain deductions.<sup>237</sup> But that *exception* was only necessary because there is no background presumption that law-breakers may not claim deductions.

These examples demonstrate there is no general principle of statutory construction requiring federal agencies to insist upon compliance with all federal laws (not to mention state ones) when administering the specific statute Congress has entrusted to them. Indeed, as explained below in Part III, Congress has good reasons *not* to burden agencies with the task of monitoring compliance with laws far outside the scope of their expertise. Simply put, it would not be so anomalous for the PTO “to accord recognition to the use of a mark when the use relied upon was unlawful.”<sup>238</sup>

Of course, claims based on plainly unlawful acts will rarely be made before agencies, and for that reason, such claims may prove “anomalous.” For example, it seems highly unlikely—perhaps even “unthinkable” (to borrow the TTAB’s own terminology)—that anyone would ever ask the PTO to register a mark on heroin. After all, doing so would require an applicant to admit to a federal crime that triggers a lengthy prison term, and one that is still being prosecuted vigorously.<sup>239</sup> But the fact that a claim will seldom be asserted is no reason, by itself, to reject it. Otherwise, all novel legal claims could be dismissed out-of-hand on that basis alone.

### 3. The Clean Hands Doctrine

The lawful use requirement has also been tenuously linked to another general principle of law, the clean hands doctrine. As noted above, this equitable doctrine bars recovery for claims directly tainted by fraud or other intentional wrongs.<sup>240</sup> It is premised on the idea that “the integrity of the judiciary is compromised when courts assent to, entertain, or even hear petitions and pleadings predicated on or

---

235. See *supra* notes 218–226 and accompanying text.

236. See Benjamin Moses Leff, *Tax Planning for Marijuana Dealers*, 99 IOWA L. REV. 523, 530–34 (2014) (discussing tax rules for businesses).

237. *Id.* at 526 (discussing history behind I.R.C. § 280E).

238. *Satinine Societa in Nome Collettivo di S.A. e M. Usellini v. P.A.B. Produits et Appareils de Beaute (Satinine v. P.A.B.)*, 209 U.S.P.Q. (BL) 958, 967 (T.T.A.B. 1981) (Kera, Member, concurring).

239. See *infra* notes 358–360 and accompanying text.

240. See sources cited *supra* notes 160–161.

implicated by the claimant's own wrongdoing."<sup>241</sup> Commentators have speculated that the courts may have based the nascent unlawful use defense on a previously recognized clean hands defense to trademark infringement.<sup>242</sup>

The clean hands doctrine, however, bears little resemblance to the lawful use requirement, and thus provides little support for the PTO's requirement.<sup>243</sup> To begin, the clean hands doctrine generally "looks at the intent (good faith or bad faith) of the [party], whereas unlawful use does not."<sup>244</sup> The Ninth Circuit, one of only two circuits to have recognized an unlawful use defense against trademark infringement, emphasizes that "[b]ad intent is the essence of the defense of unclean hands."<sup>245</sup> In contrast, the lawful use requirement has no mens rea element, other than that which might be required by the law governing the mark owner's sales. But because many federal laws can be violated through mere negligence or even ignorance (i.e., unknowingly), the lawful use requirement sanctions much wrongdoing the clean hands doctrine does not consider sanctionable.<sup>246</sup>

Furthermore, in trademark infringement actions, clean hands typically applies to wrongdoing that involves consumer deception, whereas the lawful use requirement, again, does not. The Ninth Circuit, for example, insists that "[t]o show that a trademark plaintiff's conduct is inequitable, defendant must show that plaintiff used the trademark to deceive consumers."<sup>247</sup> Requiring a showing of consumer deception helps counteract the defense's propensity to stoke consumer confusion. After all, the defense allows infringement to go unpunished, even though, by definition, infringement involves consumer confusion.<sup>248</sup> The lawful use requirement, however, has no necessary link to consumer confusion. While it may have once been applied mostly to labeling violations, the PTO now applies the requirement to violations of a broad array of laws that do not threaten consumer deception or confusion.<sup>249</sup>

---

241. Herstein, *supra* note 161, at 177.

242. See sources cited *supra* note 165.

243. Indeed, it is revealing that the TTAB itself has never mentioned the clean hands doctrine by name in any lawful use decision.

244. Rabe, *supra* note 26, at 333.

245. Dollar Sys., Inc. v. Avcar Leasing Sys., Inc., 890 F.2d 165, 173 (9th Cir. 1989).

246. See *infra* Section III.B (discussing how lawful use requirement can unfairly punish mark owners).

247. Japan Telecom, Inc. v. Japan Telecom Am. Inc., 287 F.3d 866, 870 (9th Cir. 2002). The lawful use requirement departs from the clean hands doctrine in other ways as well. See, e.g., Cooper, *supra* note 26, at 55 (noting that lawful use requirement "is considerably more stringent" because it does not allow for purgation of misconduct).

248. See *The Besmirched Plaintiff*, *supra* note 26, at 117-22.

249. See *infra* Section III.A.

The Prohibition-era case *Anheuser-Busch, Inc. v. Cohen* illuminates the sharp contrast between the clean hands doctrine and today's lawful use requirement.<sup>250</sup> Because it could no longer sell BUDWEISER beer during Prohibition, Anheuser-Busch instead began selling barley malt syrup under its famous beer mark.<sup>251</sup> When the defendant began selling its own barley malt syrup using the conspicuously similar name BUDD-WISE, Anheuser-Busch naturally sued for trademark infringement. In response, the defendant raised the clean hands defense,<sup>252</sup> credibly accusing Anheuser-Busch of marketing BUDWEISER barley malt syrup "primarily for the manufacture of intoxicating home-brew beer," in plain violation of federal and state prohibition laws.<sup>253</sup> Had the defendant petitioned the PTO for cancellation of the BUDWEISER mark under today's lawful use requirement, the defendant likely would have prevailed in the dispute (no more "Dilly Dilly").<sup>254</sup> In reality, however, the *Anheuser-Busch* court applied the clean hands defense, and it rejected that defense because Anheuser-Busch's "unlawful conduct" was "a collateral issue" in the infringement lawsuit.<sup>255</sup> In a critical passage stressing the limits to the clean hands doctrine, the court warned that "[u]nlawful use of a trademark can give no license to the general public to infringe that trademark, regardless of whether the infringement be in connection with legitimate or unlawful trade."<sup>256</sup> In other words, the clean hands doctrine does not foreclose recovery for all unlawful conduct.<sup>257</sup> To the extent the PTO (or the courts) have equated unlawful use with unclean hands, they have forgotten these limitations on the equitable doctrine.<sup>258</sup>

The lawful use requirement is also unnecessary to protect the integrity of the PTO and thus does not serve the primary purpose of the clean hands doctrine. In the first place, there is no reason to think that

---

250. 37 F.2d 393 (D. Md. 1930).

251. *Id.* at 394.

252. The defendant cited the Trademark Law of 1905's prohibition on suits by "unlawful businesses," but the court interpreted that statutory provision as codifying the "long-established equitable principle" of clean hands. *Id.* at 395.

253. *Id.*

254. The PTO has, after all, denied registration of all marks used on marijuana products because the sale of those products is unlawful today—just like the sale of beer was unlawful during Prohibition.

255. 37 F.2d at 395.

256. *Id.* The court proceeded to suggest that "[i]f the plaintiff is in fact violating the criminal law, he can be punished in the proper forum"—i.e., *not* in a trademark infringement lawsuit. *Id.*

257. *Id.*

258. See MCCARTHY, *supra* note 53, § 19:123 ("By denying common law rights [on the basis of unlawful use], the Ninth Circuit [in *CreAgri*] was in fact expanding the equitable doctrine of unclean hands, although it did not seem to realize this.").

registering a mark used in unlawful sales would impugn the PTO's integrity.<sup>259</sup> In registering a mark, the PTO plays a very limited and passive role in the mark owner's business affairs, far more limited than that of, say, a bankruptcy trustee, who may be called upon to operate a business and thus conduct the business's unlawful sales.<sup>260</sup> Even a court asked to award damages for infringement of a mark used in unlawful commerce does not thereby somehow become an accomplice to the mark owner's misdeeds. In fact, courts commonly allow recovery in very similar cases involving claims based on wrongful acts, including theft.<sup>261</sup> In nearly identical circumstances, when the PTO objected to registering disparaging marks (like THE SLANTS, for an Asian American dance rock band), the Supreme Court dismissed the Agency's integrity concern out-of-hand, reasoning that "registration does not constitute [the Agency's] approval of a mark" and is not perceived by the public as such.<sup>262</sup>

Even more fundamentally, the PTO has no authority to impose new registration requirements based on equitable principles. In other words, the Lanham Act does not permit the Agency to add "clean hands" to the list of requirements for registration expressly enumerated by section 1, or to add "unclean hands" to section 2's expressly enumerated list of the cognizable grounds for refusing registration. Nor do agencies like the PTO have any inherent authority to craft policy based upon equitable principles like the clean hands doctrine.<sup>263</sup> In fact, giving the PTO leeway to rewrite the statutory requirements for trademark

---

259. The TTAB has raised this concern in only a single lawful use decision. The Board dismissed a cancellation petition because it found the petitioner had used its own, unregistered mark to "promote" and "assist" its sales of engine modification kits in violation of California's Vehicle Code. *Geraghty Dyno-Tuned Prods., Inc. v. Clayton Mfg. Co.*, 190 U.S.P.Q. (BL) 508, 512 (T.T.A.B. 1976). The Board remarked that it would be "unthinkable to help petitioner to obtain . . . valuable [trademark] rights when the very trademark property that would be protected is an essential ingredient in the inducing, if not outright commission, of unlawful acts." *Id.* (emphasis added).

260. The integrity objection thus appears more credible in the bankruptcy setting, where it has been invoked to deny bankruptcy protections for unlawful businesses. *See, e.g.*, Steven J. Boyajian, *Just Say No to Drugs?: Creditors Not Getting a Fair Shake When Marijuana-Related Cases Are Dismissed*, 36 AM. BANKR. INST. J. 24 (2017) (discussing application of clean hands principles to bankruptcy filings by marijuana businesses).

261. For example, in *Payne v. TK Auto Wholesalers*, the court allowed a thief to recover the \$1,300 cash down payment he had made to a car dealer even though the thief had been convicted of stealing the cash and committing fraud in the attempted purchase of the car. 911 A.2d 747, 751–52 (Conn. App. Ct. 2006).

262. *Matal v. Tam*, 137 S. Ct. 1744, 1759 (2017); *id.* at 1760 (noting that "there is no evidence that the public associates the contents of trademarks with the Federal Government").

263. *Cf.* Alfred C. Aman, Jr., *Administrative Equity: An Analysis of Exceptions to Administrative Rules*, 1982 DUKE L.J. 277, 280–81 (recognizing that while agencies may consult equitable principles when making individual enforcement decisions, they do not have authority to craft broader policies based on those same principles).

registration based on amorphous equitable principles like clean hands would effectively “dissolve” the limits Congress has imposed on the Agency’s substantive rulemaking authority.<sup>264</sup> Courts might be differently situated, because the Lanham Act gives them express statutory authority to impose some equitable defenses in trademark infringement litigation<sup>265</sup>—but the PTO, of course, is not a court.

#### *D. The PTO’s Limited Rulemaking Authority*

The foregoing analysis of the Lanham Act’s text demonstrates that, rather than being imposed by Congress, the lawful use requirement was instead created by the PTO. This Section explains why the PTO lacks the power to impose requirements for registration not found in the Lanham Act. It completes the task of demonstrating that the PTO, in imposing this additional requirement for registration, has exceeded its statutory authority.

The Lanham Act delegates only limited rulemaking authority to the PTO. In pertinent part, section 41 of the statute gives the PTO authority to “make rules and regulations, not inconsistent with law, *for the conduct of proceedings*.”<sup>266</sup> The language of section 41 is widely understood as conferring the power to make procedural rules—e.g., to specify the deadlines for making filings in proceedings, but not substantive ones—i.e., rules that alter the rights and duties specified by the Lanham Act.<sup>267</sup> Importantly, section 41 is the only provision of

---

264. Cf. Mark Seidenfeld, *Bending the Rules: Flexible Regulation and Constraints on Agency Discretion*, 51 ADMIN. L. REV. 429, 434 (1999) (“*Ex ante* legal constraints dissolve as agencies gain discretion to waive rules, make exceptions to them, or simply decline to enforce them in appropriate circumstances.”). The statutory limits on the PTO’s power to craft substantive trademark rules are discussed *infra* in Section II.D.

265. Section 33 of the Lanham Act provides that registration of a mark “shall not preclude . . . any legal or equitable defense . . . which might have been asserted if such mark had not been registered.” 15 U.S.C. § 1115(a). Section 33(b)(9) also makes “equitable principles, including laches, estoppel, and acquiescence” available as defenses to infringement of incontestable marks—i.e., marks that have been used continuously for five years post-registration. *Id.* § 1115(b)(9). The latter provision was added by the Trademark Law Revision Act of 1988, Pub. L. No. 100-667, 102 Stat. 3935. See generally Rebecca Tushnet, *Fixing Incontestability: The Next Frontier?*, 23 B.U. J. SCI. & TECH. L. 434 (2017) (discussing the requirements for and defenses to incontestability). Although the courts’ authority is beyond the scope of this Article, Part III suggests that courts may have overstepped the bounds of their statutory authority by recognizing a broad unlawful use defense to infringement.

266. 15 U.S.C. § 1123 (emphasis added).

267. See, e.g., Deborah R. Gerhardt, *Beware the Trademark Echo Chamber: Why Federal Courts Should Not Defer to USPTO Decisions*, 33 BERKELEY TECH. L.J. 643, 652–53 (2018) (noting that the PTO “has only procedural authority” and not “substantive rule-making authority” regarding trademarks); Wasserman, *supra* note 65, at 1534 (acknowledging that the PTO “does not possess the power to issue binding rules that carry the force of law on the core issues of trademark law”).

the Lanham Act conferring relevant rulemaking authority on the PTO, and the only provision the Agency has ever cited to support promulgation of Rules 100.141 and 2.69, i.e., the Rules that include a lawful use requirement.<sup>268</sup>

The lawful use requirement is a substantive requirement, not a procedural rule. By narrowing the express statutory definition of “use” or “commerce,” the requirement alters the rights and duties of parties seeking registration of marks.<sup>269</sup> For this reason, the requirement cannot be sustained by section 41. In other words, the PTO cannot impose this requirement of its own accord.

Lacking any plausible textual argument for its requirement, the PTO has instead resorted to making policy arguments for conditioning registration on compliance with other laws. For example, it has suggested that the requirement (somehow) helps protect consumers from deception. In other words, the PTO has resorted to claiming that the lawful use requirement is a prudent policy, even if it is not necessarily one that Congress devised. The Ninth Circuit in *CreAgri* even referred to the lawful use requirement as the “PTO’s policy,” not a congressional mandate. But lacking any independent statutory authority to change the substance of federal trademark law, the PTO’s policy-based justifications for the lawful use requirement are misplaced (not to mention misguided, for the reasons discussed below). Indeed, the TTAB has rebuked private parties for making similar appeals to policy considerations when they have challenged the lawful use requirement. For example, in response to one applicant’s claim that the lawful use requirement “creates consumer confusion, allows for dilution of brand and quality, and opens the Applicant up to infringement, which is contrary to the purpose and intent of the [Lanham] Act,” the TTAB retorted that these arguments raised “policy issues that are beyond our jurisdiction over issues of trademark registrability.”<sup>270</sup> The TTAB failed to grasp the inconsistency in its position and the ramifications of its statement. In seeking to justify its lawful use requirement on policy arguments rather than textual ones, the TTAB has overstepped the

---

268. The Agency did not cite any statutory provision when it first promulgated Rule 100.141 in 1947. 12 Fed. Reg. 3962 (June 17, 1947). However, when the Agency amended Rule 100.141 (to add lard), and when it subsequently replaced Rule 100.141 with Rule 2.69 (and when it later made cosmetic modifications thereto), it cited only to section 41 of the Latham Act. See 12 Fed. Reg. 6640, 6641 (Nov. 1, 1949); 54 Fed. Reg. 37562, 37588 (Sept. 11, 1989).

269. Even the Agency’s Rule 2.69, which cagily authorizes examiners only “to make [an] appropriate inquiry as to compliance,” is a substantive rule, as the TTAB has readily acknowledged. See *supra* note 82 (discussing *In re Stellar*).

270. *In re JJ206, LLC*, 120 U.S.P.Q.2d (BL) 1568, 1571–72 (T.T.A.B. 2016) (internal quotation marks omitted).



limits on its authority. It has arrogated to itself the power to change the express terms of the Lanham Act as it deems fit.

### *E. Summary*

The Lanham Act neither expressly nor implicitly demands compliance with other statutes to register a mark. In conditioning registration on such compliance, the PTO has ignored the plain text of the Lanham Act and the twin purposes served by its “use in commerce” requirement. The Agency has also ignored limits on its authority to refuse registration for any reason not expressly enumerated in the statute.<sup>271</sup> While Congress had expressly prohibited protection of marks used in unlawful businesses in every previous trademark statute, it noticeably dropped that prohibition from the text of the Lanham Act. The Agency’s only textual argument for the requirement, made more than three decades after the statute was enacted, contradicts one of the most basic canons of statutory interpretation and misconstrues the settled meaning of statutory terms. The PTO has also misconstrued general principles of law, which do not support denying all relief to wrongdoers, and, in any event, have not been incorporated wholesale into the Lanham Act. For these reasons, the PTO’s lawful use requirement is, ironically, unlawful.

### III. UNWISE: TRADEMARK LAW SHOULD NOT DEMAND LAWFUL USE

This Part mounts the second of two fundamental challenges to the lawful use requirement. It demonstrates that the requirement is an unnecessary, counterproductive, and costly addition to federal trademark policy. This Part thus explains why decisionmakers today should reject the lawful use requirement, even assuming they have the authority to impose it. But illuminating why the requirement is bad trademark policy also helps explain why Congress would not have wanted the PTO to condition registration on compliance with nontrademark laws, thus bolstering the claim made in Part II that there is no statutory basis for the lawful use requirement.

The first two Sections begin by examining the relationship between the lawful use requirement and the two primary purposes behind the Lanham Act: protecting consumers from deception and promoting fair competition. Section A demonstrates that the requirement does not necessarily protect consumers, and may, in fact,

---

271. *Cf. Matal v. Tam*, 137 S. Ct. 1744, 1758 (2017) (noting that, unless one of the bans specifically enumerated in section 2 applies, a trademark examiner “does not inquire whether any viewpoint conveyed by a mark is consistent with Government policy”).

stoke deception by inviting infringement of marks with which consumers are familiar. Section B then explains why application of the lawful use requirement does not promote fair competition either.

Sections C and D show that the lawful use requirement imposes substantial costs on the trademark registration system. Section C highlights the complicated substantive and procedural questions raised by the requirement. Addressing these questions raises the cost of trademark proceedings. Section D also reveals that the TTAB has struggled to apply the requirement consistently across cases, in part because the Board has failed to clearly define the limitations discussed in Section I.B.2. The arbitrariness in the Board's decisions constitutes another "cost" of its lawful use requirement.

Finally, Section E considers the overlooked toll the requirement takes on the enforcement of other laws besides the Lanham Act. It suggests that the requirement upsets the careful schemes Congress has designed for enforcement of various nontrademark laws.

For these reasons, the lawful use requirement is not only unauthorized, but unwise.

### A. Unsafe

Perhaps the foremost purpose of the Lanham Act, and of trademark law more generally, is to protect consumers from confusion and deception by helping them to "identify goods and services that they wish to purchase, as well as those they want to avoid."<sup>272</sup> To that end, the statute proscribes "the deceptive and misleading use of marks"<sup>273</sup>—in other words, use that is likely to cause confusion among consumers.

The TTAB has cryptically implied that its lawful use requirement serves this core consumer protection purpose. In *Satinine*, as discussed above, Board Member Lefkowitz recited the Lanham Act's

---

272. *Id.* at 1751; see also Barton Beebe, *Search and Persuasion in Trademark Law*, 103 MICH. L. REV. 2020, 2021 (2005) ("The consumer, we are led to believe, is the measure of all things in trademark law."); Jeanne C. Fromer & Mark A. Lemley, *The Audience in Intellectual Property Infringement*, 112 MICH. L. REV. 1251, 1258 (2014) (observing that trademark law "enable[s] consumer decisionmaking" by combatting trademark use "that causes consumer confusion about the origins of goods or services"); Mark A. Lemley & Mark McKenna, *Irrelevant Confusion*, 62 STAN. L. REV. 413, 414 (2010) (recognizing that, "[w]ith some significant exceptions, the basic rule of trademark law is that a defendant's use of a mark is illegal if it confuses a substantial number of consumers and not otherwise"); Mark P. McKenna, *The Normative Foundations of Trademark Law*, 82 NOTRE DAME L. REV. 1839, 1844 (2007) ("It would be difficult to overstate the level of consensus among commentators that the goal of trademark law is—and always has been—to improve the quality of information in the marketplace and thereby reduce consumer search costs."). Although scholars disagree about the relative priority of different trademark goals, there is no need to wade into that debate here because the lawful use requirement serves none of the goals of trademark law.

273. 15 U.S.C. § 1127.

purpose of “making actionable the deceptive and misleading use of marks,” immediately before remarking that “[i]t is recognized that trademark rights cannot accrue from an unlawful use of a mark in commerce.”<sup>274</sup> Neither Member Lefkowitz nor anyone else with the PTO has ever explained exactly *how* the lawful use requirement helps prevent consumer confusion. But the claim may rest on either (or both) of two faulty assumptions.

First, Member Lefkowitz may have assumed that the requirement would only apply to violations of labeling requirements, which at least share the Lanham Act’s purpose of protecting consumers. Recall that Rule 100.141 applied *only* to violations of labeling requirements, and the Agency’s early decisions applying the broader Rule 2.69 commonly (though not invariably) involved labeling violations.<sup>275</sup>

However, even if it were only triggered by labeling violations, the lawful use requirement still would not necessarily contribute anything to protecting consumers. As Member Rice surmised in *Satinine*, the violation of a labeling law means that “the label may be deceptive or misleading,” but it “does not mean that the mark applied to the goods is being used in a deceptive or misleading manner.”<sup>276</sup> Put another way, a mark does not necessarily *contribute to* consumer confusion just because it is used on a product that is mislabeled or otherwise unlawful. It thus follows that refusing registration of the mark does not necessarily help combat consumer confusion. Furthermore, if the mark itself *is* misleading or deceptive, section 2(d) expressly authorizes the PTO to refuse registration of the mark,<sup>277</sup> thereby making an implied lawful use requirement unnecessary for this purpose.

Anyway, the lawful use requirement has not stayed confined to labeling violations. As discussed previously, the TTAB has applied the requirement to violations of a broad array of laws, including many that regulate products or services rather than just the labels used thereon, and laws which have little, if anything, to do with protecting consumers from confusion or deception.<sup>278</sup> Consider the CSA, the federal statute

---

274. *Satinine Societa in Nome Collettivo di S.A. e M. Usellini v. P.A.B. Produits et Appareils de Beaute (Satinine v. P.A.B.)*, 209 U.S.P.Q. (BL) 958, 966 (T.T.A.B. 1981) (Lefkowitz, Member, concurring). Member Lefkowitz’s concurring opinion in *Satinine* is the only decision I have found in which the TTAB has suggested that the lawful use requirement might help protect consumers.

275. See *supra* Section I.B.

276. *Satinine*, 209 U.S.P.Q. (BL) at 967 n.2; see also McElwain, *supra* note 26 (making similar point).

277. 15 U.S.C. § 1052(d) (authorizing the PTO to refuse registration of a mark that is likely “to cause confusion, or to cause mistake, or to deceive”).

278. See *supra* notes 4–16 and accompanying text.

that prohibits the manufacture, sale, and possession of marijuana.<sup>279</sup> The sale of marijuana plainly violates the CSA, and, for this reason alone, the TTAB has repeatedly refused to register any marks used on products containing marijuana.<sup>280</sup> But sales of marijuana products in violation of the CSA do not necessarily dupe consumers about the quality, legality, safety, etc. of the drug. In other words, even if consumers know exactly what they are getting, the sale of marijuana is still unlawful.

The claim that the lawful use requirement combats consumer deception might rest on a second faulty assumption, namely, the notion that a trademark, or more specifically, the registration thereof, confers legitimacy on the product on which the mark is used. In other words, the TTAB might believe that slapping a registered trademark on a product (like marijuana) would fool consumers into believing that the product itself was safe, effective, lawful, etc.

But registration of a trademark does not legitimize the goods on which the mark is used. As one prominent commentator has pointedly noted, “[t]he government, by registering a mark, does not thereby give its approval or imprimatur to the propriety, suitability, or tastefulness of the mark or of the suitability or quality of the goods or services with which it is used.”<sup>281</sup> Nor do consumers understand trademark registration to constitute endorsement of the quality, safety, utility, or legality of the product on which the mark is used. For example, consumers are not likely to view the ® symbol to signify that PABST BLUE RIBBON is a good beer, that ARBY’S Roast Beef is a healthy sandwich, or that THE OHIO STATE UNIVERSITY has a good football team.

In fact, the lawful use requirement seems more likely to cause consumer confusion than to dispel it. The requirement strips a senior user of its priority over a mark, thereby enabling another party to use

---

279. 21 U.S.C. §§ 841-844.

280. *See, e.g., In re PharmaCann LLC*, 123 U.S.P.Q.2d (BL) 1122 (T.T.A.B. 2017) (PHARMACANN for retail marijuana shop); *In re JJ206, LLC*, 120 U.S.P.Q.2d (BL) 1568 (T.T.A.B. 2016) (JUJU JOINTS for smokeless marijuana or cannabis vaporizer apparatus); *In re Ultra Trimmer, L.L.C.*, No. 86479070, 2016 WL 7385764 (T.T.A.B. Nov. 29, 2016) (ULTRA TRIMMER for agricultural trimming machine); *In re Morgan Brown*, 119 U.S.P.Q.2d (BL) 1350 (T.T.A.B. 2016) (HERBAL ACCESS for retail marijuana shop). The PTO has refused an even larger number of marks used on marijuana products through Office Actions that were never appealed to the TTAB. *See, e.g., U.S. Trademark Application Serial No. 88978250* (Office Action, July 29, 2020) (ORVA for medical product containing CBD).

281. MCCARTHY, *supra* note 53, § 19:3.50; *see also Matal v. Tam*, 137 S. Ct. 1744, 1759 (2017) (making the related point that “registration does not constitute approval of a mark”).

the mark on its own products *even when such use would confuse consumers*.<sup>282</sup>

The marijuana market provides a timely example. Several state-licensed marijuana suppliers have already built loyal brand followings.<sup>283</sup> To a limited extent, those companies can even defend their marks against infringement by relying on state trademark law, which, unlike federal law, does offer protection for trademarks used on marijuana products.<sup>284</sup> But the protections afforded by state trademark law are limited.<sup>285</sup> Most importantly for present purposes, any rights conferred by state trademark law extend only to the state's own borders. As a result, a licensed marijuana firm operating in one state cannot prevent black marketeers or even other licensed marijuana firms from using its marks in another state. For obvious reasons, the lack of national trademark protection for marijuana brands puts marijuana consumers at risk. After all, they may not understand that two marijuana products bearing similar or even identical marks in two different states are not necessarily made by the same company and may have very different characteristics.<sup>286</sup> To use an example from another industry, imagine if the BUDWEISER beer you drank in New York contained five percent alcohol by volume ("ABV"), but the BUDWEISER you drank next door in New Jersey had fifteen percent ABV.

The risk to consumer welfare is not limited to gray markets like marijuana. In almost any industry, a mark owner could be refused registration, or have its registration cancelled by the PTO, because the owner, perhaps unwittingly, violated some federal (or even state) law

---

282. See, e.g., Astrachan, *supra* note 26, at 266–67 ("If a mark is not enforceable, its owner cannot prevent a competitor from adopting a similar mark for use on similar goods and services and prevent the use of that mark to attract customers, some of whom might be searching for the goods or services produced by the owner of the non-enforceable, but senior mark."); Cooper, *supra* note 26, at 53 (noting that "noncompliance with federal law may transform a senior user into a junior user").

283. See *supra* note 22.

284. See *California Cannabis Trademarks Could Get a Legislative Boost*, HARRIS BRICKEN: CANNA L. BLOG (Feb. 9, 2019), <https://harrisbricken.com/cannalawblog/california-cannabis-trademarks-could-get-a-legislative-boost/> [<https://perma.cc/9SX8-HVPD>].

285. See Russell W. Jacobs, *Cannabis Trademarks: A State Registration Consortium Solution*, 74 WASH. & LEE L. REV. ONLINE 159, 167–69 (2017) (discussing limitations); see also Sam Crocker, *Cultivating a Better Strain of Trademark Law: Why the Unlawful Uses Doctrine Should Be Modified for State-Legal Marijuana-Related Marks*, 44 J. CORP. L. 591, 598 (2019) (discussing the same limitations).

286. See Jacobs, *supra* note 285, at 162 ("[I]f a marijuana dispensary opens in Truckee, California under the service mark BAKED TAHOE and a competitor opens another BAKED TAHOE dispensary thirty miles away in Reno, Nevada, a customer could reasonably assume that the dispensaries operated under common ownership."); see also Crocker, *supra* note 285, at 597 (suggesting that applying lawful use requirement to marijuana industry "undercuts the primary purpose of trademark law: the prevention of consumer confusion").

when selling its goods.<sup>287</sup> Importantly, refusal or cancellation can happen years after a mark is first used, and years after the mark is first registered<sup>288</sup>—in other words, long after the mark has become associated with a particular vendor in the minds of consumers.

In short, by denying mark owners the ability to safeguard their marks from infringement by other firms, the lawful use requirement undermines the Lanham Act's purpose of helping consumers to identify the source of goods and services they buy. As one commentator has aptly put it, "[r]efusing to recognize trademarks used in unlawful commerce punishes the consumer for the sins of the manufacturer."<sup>289</sup>

### B. Unfair

The Lanham Act is also intended to promote fair competition by "protect[ing] producers from illegitimate diversions of their trade by competitors."<sup>290</sup> To this end, the statute proscribes the infringing use of a mark, and thereby "helps assure a producer that it (and not an imitating competitor) will reap the financial, reputation-related rewards associated with a desirable product."<sup>291</sup>

In *CreAgri*, the Ninth Circuit briefly suggested that the lawful use requirement serves this fair competition purpose. As noted above, the court asserted that, "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*."<sup>292</sup> Although the court did not elaborate on the argument, it appears to suggest that a mark owner who breaks the law while using its mark has necessarily gained an unfair advantage over more scrupulous rivals, and thus, does not deserve the rights normally accorded by federal trademark law.

---

287. See *supra* notes 4–16 and accompanying text (listing a sampling of the statutes that have triggered the lawful use requirement).

288. The Lanham Act gives parties five years from the date of registration to petition to cancel a mark. 15 U.S.C. § 1064(1); see, e.g., *Coahoma Chem. Co. v. Smith*, 113 U.S.P.Q. (BL) 413, 418 (Dec. Comm'r Pat. 1957) (cancelling registration three years after petition filed, and almost seven years after registration was issued). Even after this five-year period has expired, however, parties may still challenge a mark as "abandoned" if it has not been used lawfully for any three-year period. See *Satinine Societa in Nome Collettivo di S.A. e M. Usellini v. P.A.B. Produits et Appareils de Beaute (Satinine v. P.A.B.)*, 209 U.S.P.Q. (BL) 958 (T.T.A.B. 1981) (recognizing mark may be considered "abandoned" if used unlawfully).

289. McElwain, *supra* note 26.

290. McKenna, *supra* note 272, at 1841; see also 15 U.S.C. § 1127 (stating Congress's intent "to protect persons engaged in . . . commerce against unfair competition").

291. *Qualitex Co. v. Jacobson Prods. Co.*, 514 U.S. 159, 164 (1995).

292. *CreAgri, Inc. v. USANA Health Scis., Inc.*, 474 F.3d 626, 630 (9th Cir. 2007) (emphasis added).

Upon closer examination, however, it is far from clear that the lawful use requirement promotes fairness, for four main reasons. First, a trademark applicant does not necessarily gain an unfair competitive advantage when it acquires trademark priority through the unlawful sale of a product. Although the *CreAgri* case involved a trademark infringement suit between rivals using similar marks, the lawful use requirement is not restricted to inter partes disputes. Recall that the PTO authorizes its trademark examiners to conduct ex parte investigations into the lawfulness of the commerce in which a mark has been used. Indeed, in many cases, the PTO has refused registration on the basis of such investigations, *even when no one besides a trademark examiner has objected to the applicant's violation* and no competitive harm is apparent.<sup>293</sup> In *Stellar*, for example, the trademark examiner refused to register the mark JETFRESH after they discovered that the applicant had failed to list the weight on each package of its breath fresheners, as apparently required by the FDCA.<sup>294</sup> The TTAB upheld the refusal, even though no rival had complained and there was no other indication that any rival had been disadvantaged by the applicant's violation of the FDCA.<sup>295</sup> (While some mark owners might be able to keep their priority over a mark by correcting their violations, this is not always possible, both because another firm might start using the same mark before the correction can be made, and because some violations are not so easily corrected (think of marijuana vendors).)

Second, even when a rival does object to a mark owner's transgression (as in *CreAgri*), it does not necessarily follow that the mark owner gained some *unfair* advantage through that transgression. For one thing, the mark owner may have unwittingly violated federal law governing the sale of its product. A mark owner may violate many federal regulations, like the FDCA labeling requirement at issue in

---

293. See, e.g., *In re Taylor*, 133 U.S.P.Q. (BL) 490, 491 (T.T.A.B. 1962) (refusing registration because of suspected FDCA labeling violation discovered by examiner).

294. *In re Stellar Int'l, Inc.*, 159 U.S.P.Q. (BL) 48, 52 (T.T.A.B. 1968).

295. The TTAB has occasionally discouraged examiners from conducting overzealous investigations into compliance with nontrademark laws. *In re Garden of Eatin' Inc.*, 216 U.S.P.Q. (BL) 355, 357 (T.T.A.B. 1982) (disapproving examiner's request for FDA opinion regarding legality of applicant's sales, but still upholding examiner's refusal to register mark). Nonetheless, trademark examiners commonly gather and consider evidence not contained in the trademark application to determine whether applicants' sales were lawful. E.g., TMEP, *supra* note 60, § 907 (instructing that if "there is extrinsic evidence indicating that the goods or services do not, in fact, comply with federal law, the examining attorney must refuse registration"); *In re Ultra Trimmer, L.L.C.*, No. 86479070, 2016 WL 7385764, at \*2 (T.T.A.B. Nov. 29, 2016) (holding that even "if the identification of goods or services in an application does not reveal a *per se* violation of the CSA . . . extrinsic evidence may be used to show such a violation").

*CreAgri*, without being “hasty.”<sup>296</sup> Importantly, the PTO does not require any party, including its own trademark examiners, to demonstrate or even allege that a mark owner’s violation of the lawful use requirement was strategic, malicious, or otherwise morally blameworthy.

Third, in any event, even if a mark owner’s violation is somehow blameworthy, it is still not clear why the PTO needs to levy trademark sanctions on that violation. After all, every statute that triggers the lawful use requirement provides its own, carefully calibrated set of sanctions and remedies for violations. For example, the FDCA threatens penalties ranging from warnings to steep fines, seizures, and even prison sentences for violations of that statute.<sup>297</sup> Given the availability of these penalties, the PTO does not need to levy its own sanctions to level the competitive playing field. Indeed, depriving mark owners of their trademark rights because of violations of nontrademark laws can prove unduly harsh, even “Draconian,” as the PTO itself has recognized.<sup>298</sup> Notwithstanding PTO efforts to soften the doctrine, it remains a very blunt instrument for rebalancing any “unfair” advantage a mark owner might have gained by violating some nontrademark statute. Consider that a party could lose its trademark right for transgressions that range from failing to display the weight of individual mouthwash packets to selling high-potency marijuana.

Fourth, in inter partes disputes, the party that gains from the lawful use requirement is not necessarily “innocent” of wrongdoing, as the *CreAgri* court appears to assume. The requirement can be raised as a defense by parties who have knowingly and intentionally infringed a mark to illegitimately divert sales from the mark’s owner.<sup>299</sup> In fact, some courts have allowed defendants to raise the defense when even they committed the same wrongdoing of which they accuse the mark’s owner. In *Kratom Lab, Inc. v. Mancini*, for example, the inventor of synthetic marijuana, sold under the registered mark MR. NICE GUY, sued a rival for infringement.<sup>300</sup> The defendant also sold synthetic marijuana, allegedly using plaintiff’s brand name to take advantage of

---

296. The District Court (but not the Ninth Circuit) acknowledged as much in *CreAgri*, when it wrote that while “*CreAgri* argues there is no evidence it intended to make a false statement on its labels[, t]he statute prohibiting misbranding of food . . . does not have a scienter requirement.” *CreAgri, Inc. v. USANA Health Scis.*, No. 03-3216, 2005 WL 181886, at \*5 n.7 (N.D. Cal. Jan. 26, 2005), *aff’d sub nom. CreAgri, Inc. v. USANA Health Scis., Inc.*, 474 F.3d 626 (9th Cir. 2007).

297. 21 U.S.C. § 333.

298. *Gen. Mills Inc. v. Health Valley Foods*, 24 U.S.P.Q.2d (BL) 1270, 1273 (T.T.A.B. 1992).

299. As Professor McCarthy has remarked, the lawful use requirement “has turned federal trademark litigation into an infringer’s search for labeling or other administrative missteps by the trademark owner.” MCCARTHY, *supra* note 53, § 19:123.

300. No. 11-80987-CIV, 2013 WL 3927838, at \*1 (S.D. Fla. July 29, 2013).



the product's popularity. The defendant, however, asserted the unlawful use defense, arguing that the sale of synthetic marijuana was unlawful. The court agreed, and it dismissed the plaintiff's infringement claims on that ground.<sup>301</sup> It held that "[w]hether Defendants profited from using Kratom Lab's fraudulently obtained trademark is irrelevant because the trademark was fraudulently obtained."<sup>302</sup>

### C. Burdensome

The lawful use requirement not only undermines the core purposes of the Lanham Act, it also exacts a heavy toll on the trademark system. The requirement greatly increases the complexity of determining eligibility for registration and thereby adds to the costs of trademark proceedings. Whenever the requirement is raised, it forces the PTO and the parties involved to delve into a diverse array of complicated federal statutes, just to determine whether the sale or transportation of some trademarked good regulated by one of those statutes was lawful.

Consider just a few of the tricky legal and factual questions the TTAB has had to resolve while applying the lawful use requirement. Does a "therapeutic skin care preparation" constitute a "medicine" or "drug," requiring FDA approval for sale?<sup>303</sup> Similarly, does an applicant need the FDA's approval to sell a ventilator? What if the buyer only intended to "test" the device, but not use it to treat patients?<sup>304</sup> Is shampoo "soap," for purposes of the FDCA?<sup>305</sup> Does the California Business and Professions Code prohibit using a fictitious name on a medical practice, at least without a fictitious name permit?<sup>306</sup> Does an applicant's use of the mark HERE'S JOHNNY on portable toilets

---

301. *Id.*

302. *Id.* at \*5 (emphasis omitted) (holding that plaintiff should have informed PTO that DEA had banned sale of synthetic marijuana while its registration application was still pending); *see also* Republic Techs. (NA), LLC v. BBK Tobacco & Foods, LLC, 262 F. Supp. 3d 605, 606–07 (N.D. Ill. 2017) (allowing defendant to raise unlawful use defense against infringement suit, notwithstanding allegations that defendant had also violated CSA's ban on sale of drug paraphernalia); Purple Heart Patient Ctr., Inc. v. Mil. Ord. of the Purple Heart of the U.S. of Am., Inc., No. C 13–00902, 2014 WL 572366, at \*2–3 (N.D. Cal. Feb. 11, 2014) (allowing medical marijuana dispensary to raise tenuous unlawful use defense against infringement suit, notwithstanding dispensary's blatant violation of the CSA).

303. *See* Sköld v. Galderma Lab'ys, Inc., No. 9205289, 2012 WL 5902083, at \*4 (T.T.A.B. Nov. 8, 2012).

304. *See* Automedx, Inc. v. Artivent Corp., 95 U.S.P.Q.2d (BL) 1976 (T.T.A.B. 2010).

305. *See* Clorox Co. v. Armour-Dial, Inc., 214 U.S.P.Q. (BL) 850 (T.T.A.B. 1982).

306. *See* Facial Aesthetic Ctr. of Excellence Grp., Inc., v. Stewart Wang, M.D., Inc., No. 92044775, 2006 WL 3296210, at \*4 (T.T.A.B. Oct. 27, 2006).

violate opposer's state law right of publicity?<sup>307</sup> Has an applicant sold its isobutyl nitrites for human consumption, in violation of the Anti-Drug Abuse Act of 1988, or as a lawful all-purpose cleaner?<sup>308</sup> Does the Securities Exchange Act of 1934 bar a commercial bank from offering insurance brokerage services?<sup>309</sup> Does the failure to list the country of origin on cosmetics violate the Tariff Act of 1930?<sup>310</sup> Does the Fair Labeling and Packaging Act apply to sales of cosmetics meant for professional use, rather than consumer use?<sup>311</sup> Does the sale of marijuana violate the lawful use requirement when the sale is authorized by state law?<sup>312</sup> What if the Department of Justice suggests it will not prosecute those sales?<sup>313</sup> What if Congress has expressly barred such prosecutions?<sup>314</sup> Federal statutes provide an almost inexhaustible supply of such vexing questions.

In addition to substantive questions like these, the lawful use requirement has also spawned a host of knotty procedural questions. In *ex parte* cases, for example, how zealously may a trademark examiner investigate their suspicions that an applicant has violated some nontrademark law? May the examiner look at materials not submitted with the application, such as the applicant's website?<sup>315</sup> May the examiner consult with the federal agency responsible for enforcing the statute at issue?<sup>316</sup> Does the party challenging a mark bear the burden of demonstrating use was unlawful, or does the mark owner bear the

---

307. See *John W. Carson Found. v. Toilets.com, Inc.*, 94 U.S.P.Q.2d (BL) 1942 (T.T.A.B. 2010).

308. See *AFAB Indus. Servs., Inc. v. Pac-West Distrib. NV LLC*, No. 91224268, 2016 WL 2866564, at \*3 (T.T.A.B. May 4, 2016).

309. See *E.W. Bank Co. v. Plubell Firm LLC*, No. 92053712, 2016 WL 5219824, at \*14 (T.T.A.B. Sept. 8, 2016).

310. See *Topiclear, Inc. v. K & N Distribs.*, No. 9206292, 2017 WL 3718301, at \*1 (T.T.A.B. Feb. 27, 2017).

311. See *Satinine Societa in Nome Collettivo di S.A. e M. Usellini v. P.A.B. Produits et Appareils de Beaute (Satinine v. P.A.B.)*, 209 U.S.P.Q. (BL) 958 (T.T.A.B. 1981).

312. See *In re Morgan Brown*, 119 U.S.P.Q.2d (BL) 1350 (T.T.A.B. 2016).

313. See *In re JJ206, LLC*, 120 U.S.P.Q.2d (BL) 1568 (T.T.A.B. 2016).

314. See *In re PharmaCann LLC*, 123 U.S.P.Q.2d (BL) 1122 (T.T.A.B. 2017).

315. *E.g.*, *Iancu v. Brunetti*, 139 S. Ct. 2294, 2298 (2019) (noting that TTAB had visited registrant's website to help determine whether FUCT mark for jeans was "immoral" or "scandalous"); *In re Morgan Brown*, 119 U.S.P.Q.2d (BL) at 1352-53 (upholding examiner's refusal to register mark, after examiner reviewed applicant's website on suspicion it was selling marijuana through its retail stores).

316. See *In re Garden of Eatin' Inc.*, 216 U.S.P.Q. (BL) 355, 356-57 (T.T.A.B. 1982) (suggesting examiner should not have asked General Counsel of FDA whether applicant's labels for soybean frozen dessert complied with FDCA, but still upholding examiner's refusal to register mark because applicant failed to respond adequately to examiner's concerns).

burden of demonstrating its use was lawful?<sup>317</sup> What standard of proof applies to the lawful use requirement?<sup>318</sup>

The PTO has further compounded the difficulty by grafting some poorly defined limitations onto its lawful use requirement. Recall that the TTAB has insisted that only “material” violations of law warrant depriving mark owners of their trademark rights. The Agency, however, has never satisfactorily explained how trademark lawyers—including its own trademark examiners—are supposed to distinguish “material” violations of law from immaterial ones. Instead, the TTAB has offered unhelpful generalities, suggesting, for example, that a “material” violation of law is one that is “of such gravity and significance . . . so tainted that, as a matter of law, it could create no trademark rights.”<sup>319</sup> The Agency has fared no better in explaining what it means by a “per se violation of a statute regulating the sale of a party’s goods,”<sup>320</sup> another limitation intended to cabin the scope of the lawful use requirement. Indeed, the example the Agency has used to illustrate a “per se violation” demonstrates that the phrase is nonsensical. In *Satinine*, the TTAB offered that a “per se violation” would arise “when a regulatory statute requires that a party’s labels must be registered with or approved by the regulatory agency . . . before his goods may lawfully enter the stream of commerce, and the party has failed to obtain such registration or approval.”<sup>321</sup> It is difficult to see what makes this “per se violation” of a statute different from any other violation of a statute. The example seems to suggest that a “per se violation” occurs when a statute is violated, making the term “per se” redundant.<sup>322</sup> (To be fair to the PTO, the same criticism has been levied against the “per se” moniker in antitrust law, where the phrase is commonly used and

---

317. *Compare* *Weight Watchers Int’l, Inc. v. I. Rokeach & Sons, Inc.*, 211 U.S.P.Q. (BL) 700, 707 (T.T.A.B. 1981) (suggesting “the burden is on opposer to establish by a preponderance of the evidence that applicant’s use has been unlawful”), *with* *AFAB Indus. Servs., Inc. v. Pac-West Distrib. NV LLC*, No. 91224268, 2016 WL 2866564, at \*3 (T.T.A.B. May 4, 2016) (seemingly placing burden on applicant to produce affirmative evidence showing that its use was lawful by denying applicant’s motion for summary judgment, even though there was “no evidence that the goods identified in the application are *per se* unlawful”). The inconsistency between the two cases is discussed more fully *infra* note 340.

318. See cases discussed *infra* notes 340–341 and accompanying text.

319. *Gen. Mills Inc. v. Health Valley Foods*, 24 U.S.P.Q.2d (BL) 1270, 1274 (T.T.A.B. 1992).

320. *Satinine Societa in Nome Collettivo di S.A. e M. Usellini v. P.A.B. Produits et Appareils de Beaute (Satinine v. P.A.B.)*, 209 U.S.P.Q. (BL) 958, 964 (T.T.A.B. 1981).

321. *Id.*; see also *Gen. Mills*, 24 U.S.P.Q.2d (BL) at 1276 n.8 (“Per se violations . . . are those where a clear violation of law, such as the sale or transportation of a controlled substance in violation of law, is evident in the record.”).

322. See Thomas G. Krattenmaker, *Per Se Violations in Antitrust Law: Confusing Offenses with Defenses*, 77 GEO. L.J. 165, 171 (1988) (“To say that behavior that violates the antitrust laws is a ‘per se violation’ makes the phrase ‘per se’ redundant.”).

from whence the PTO may have borrowed the phrase.<sup>323</sup>) In short, the PTO's limitations have added additional queries—Was a violation “material”? Was it a “per se violation” violation? Etc.—to the long list of questions lawyers must address when applying the lawful use requirement.

Addressing these questions makes trademark proceedings more cumbersome and costly affairs.<sup>324</sup> The lawful use requirement forces trademark attorneys to spend time researching and analyzing issues that are peripheral—to put it mildly—to the core concerns of trademark law. In fact, precisely because these issues are outside the expertise of most trademark lawyers, the cost of addressing them in a trademark proceeding could be considerable.

The additional cost of applying the lawful use requirement is most unwelcome in a trademark system that is already struggling to keep up with heavy demand for trademark registration. The PTO has very limited resources for administering the trademark system, a system that must process more than seven-hundred thousand new trademark filings annually.<sup>325</sup> It has been estimated that the Agency's trademark examiners can devote, on average, only two hours *total* to each new trademark filing, during which the examiner must perform the “monumental” task of determining “use, distinctiveness, and whether the mark is available or likely to be confused with any of the millions of marks on the Principal Register.”<sup>326</sup> Simply put, the task of deciding whether or not a mark comports with the express terms of the Lanham Act is challenging enough without also having to consider whether the sale or transportation of some product bearing that mark complies with every other federal statute on the books.

The burden associated with enforcing the lawful use requirement not only gives the PTO a good reason to reject the requirement today, it also might help explain why Congress removed language denying “unlawful businesses” trademark rights when it passed the Lanham Act in 1946. When Congress adopted earlier

---

323. *Id.* at 171–72 (explaining that the phrase “per se violation” in antitrust has “no ascertainable meaning or utility,” is not “helpful,” and “makes no sense”).

324. See MCCARTHY, *supra* note 53, § 19:123 (remarking that *CreAgri* unlawful use defense makes “trademark litigation more complicated and more expensive for trademark owners”). Even the PTO has acknowledged the “extreme difficulty” the requirement poses for the Agency. Great Adirondack Steak & Seafood Cafe, Inc., No. 91219162, 2017 WL 3670296, at \*3 (T.T.A.B. June 8, 2017).

325. U.S. PAT. & TRADEMARK OFF., FY 2020 PERFORMANCE AND ACCOUNTABILITY REPORT 35 (2020), <https://www.uspto.gov/sites/default/files/documents/USPTOFY20PAR.pdf> [<https://perma.cc/YW84-YQZL>]; *id.* at 17 (reporting that PTO employed 622 trademark examiners in fiscal year 2020).

326. Gerhardt, *supra* note 267, at 660.

trademark legislation that included the “unlawful business” language, the corpus of federal law—and thus, the burden of judging compliance with that law—was still relatively modest. By the time Congress was drafting the Lanham Act, however, circumstances had changed markedly. The corpus of federal law had grown dramatically during the New Deal, and there was no end in sight to this expansion. The passage of legislation, like the Food, Drug, and Cosmetic Act of 1938, may have convinced Congress to rethink the wisdom of asking a trademark agency to police compliance with all federal laws. Although there is no legislative history on point, it seems reasonable to suppose that Congress may have wanted the PTO to focus its attention on trademarks and not to get distracted by an ever-expanding array of compliance issues far beyond the ken of trademark officials.

Even the TTAB has acknowledged that “there is a serious question as to the advisability of our attempting to adjudicate whether a party’s use in commerce is in compliance with [a] particular regulatory act,” given the “almost endless number of such acts which the Board might in the future be compelled to interpret.”<sup>327</sup> But rather than abandon the lawful use requirement in light of such misgivings, the Agency has adhered to the notion that “trademark rights cannot accrue from” unlawful acts,<sup>328</sup> and thus, that it *must* judge the lawfulness of the commerce in which a mark has been used, notwithstanding the costs. The TTAB has even lamented that it cannot rely on other agencies to perform this task, even though those other agencies undoubtedly “possess[] the necessary expertise” the PTO lacks concerning the statute(s) they administer.<sup>329</sup> In particular, the PTO has complained that because other agencies do not investigate every violation of the statutes they administer, or conduct those investigations too slowly, the PTO often must judge for itself whether or not a mark owner has behaved lawfully when selling its wares.<sup>330</sup>

Of course, if the Lanham Act does not condition trademark rights on compliance with nontrademark laws, there is no need for the PTO—or anyone else, for that matter—to engage in this burdensome task. In other words, given the lack of any textual basis for the requirement, the substantial costs associated with administering the lawful use requirement are entirely unnecessary.

---

327. *Satinine Societa in Nome Collettivo di S.A. e M. Usellini v. P.A.B. Produits et Appareils de Beaute (Satinine v. P.A.B.)*, 209 U.S.P.Q. (BL) 958, 964 (T.T.A.B. 1981).

328. *Id.* at 966 (Lefkowitz, Member, concurring).

329. *See id.* at 967.

330. *Id.* (remarking that other agencies “may take a considerable length of time” to conduct their investigations, if they undertake them at all).

*D. Arbitrary*

In addition to the burden just described, the lawful use requirement imposes a second type of cost on the trademark system. Due to the complexity of and imprecise limits on the requirement, the PTO has struggled to apply the requirement consistently in trademark proceedings. Indeed, the TTAB's lawful use jurisprudence is replete with decisions that are difficult to reconcile.<sup>331</sup>

Consider, first, the TTAB's application of the "materiality" requirement. In *General Mills*, the TTAB suggested that a cereal maker's failure to include nutritional information on boxes of cereal it sold—in plain violation of the FDCA—was not material, and thus, did not warrant cancellation of the mark.<sup>332</sup> But in a variety of other cases the Agency has held that nearly identical labeling defects, even ones violating the *same* statute, justified refusing registration. For example, in *Stellar*, the Agency refused registration of a mark used on breath freshener only because the applicant had neglected to list the weight of the product on its packaging, in apparent violation of the FDCA.<sup>333</sup> Likewise, in another case, the TTAB refused registration of a mark used on meat products, only because the applicant neglected to list all of the ingredients on its packages, again in violation of the FDCA.<sup>334</sup>

The Agency has struggled to apply other limitations consistently as well, including its demand that a violation must bear "some nexus . . . [to] the use of the mark."<sup>335</sup> In *Satinine*, the TTAB looked askance at a cosmetic company's alleged violation of federal labeling laws, in part because the Agency felt that violation (somehow) lacked

---

331. The inconsistencies resemble the PTO's "haphazard record of enforcement" of the now-defunct bars on registration of disparaging, scandalous, and immoral marks. See *Matal v. Tam*, 137 S. Ct. 1744, 1756–57 (2017); see also, e.g., Barton Beebe & Jeanne C. Fromer, *Immoral or Scandalous Marks: An Empirical Analysis*, 8 N.Y.U. J. INTEL. PROP. & ENT. L. 169, 172 (2019) (reporting study results showing "PTO applies the immoral-or-scandalous prohibition in an arbitrary and viewpoint-discriminatory matter"); Megan M. Carpenter & Mary Garner, *NSFW: An Empirical Study of Scandalous Trademarks*, 33 CARDOZO ARTS & ENT. L.J. 321, 359–62 (2015) (reporting study results showing "some measure of inconsistency" in Office Action decisions for certain controversial words); Anne Gilson LaLonde & Jerome Gilson, *Trademarks Laid Bare: Marks That May Be Scandalous or Immoral*, 101 TRADEMARK REP. 1476, 1478 (2011) (finding inconsistencies in PTO registration decisions regarding a particular scandalous acronym).

332. *Gen. Mills Inc. v. Health Valley Foods*, 24 U.S.P.Q.2d (BL) 1270 (T.T.A.B. 1992).

333. *In re Stellar Int'l, Inc.*, 159 U.S.P.Q. (BL) 48 (T.T.A.B. 1968).

334. *In re Taylor*, 133 U.S.P.Q. (BL) 490 (T.T.A.B. 1962); see also, e.g., *In re Garden of Eatin' Inc.*, 216 U.S.P.Q. (BL) 355 (T.T.A.B. 1982) (refusing registration because of FDCA labeling violation); *In re Pepcom Indus., Inc.*, 192 U.S.P.Q. (BL) 400 (T.T.A.B. 1976) (same); *Horany v. Hays*, 176 U.S.P.Q. (BL) 316 (T.T.A.B. 1972) (same). Although some of TTAB's labeling decisions predated *General Mills*, the TTAB did not disavow them in that decision or otherwise suggest that they were no longer binding precedent.

335. *Satinine*, 209 U.S.P.Q. (BL) at 967 (Kera, Member, concurring).

the requisite “nexus” to the company’s use of its mark.<sup>336</sup> But in other cases, the Agency has seemingly forgotten about this supposed limitation on the lawful use requirement. Perhaps most notably, the TTAB has repeatedly refused to register marks used on marijuana products,<sup>337</sup> without ever explaining how violations of the CSA related to the use of the marks—in fact, the Agency has never even mentioned the “nexus” requirement in a marijuana mark decision. To be sure, the marks were affixed to (i.e., used on) goods sold in violation of the CSA. But if the nexus test is supposed to limit the scope of the lawful use requirement, it must demand something more than that; otherwise, every sale of a trademarked good in violation of a nontrademark law would satisfy the nexus test, including the sale of the mislabeled cosmetics in *Satinine*.

The TTAB has struggled to apply even the most basic limitation—the notion that the lawful use requirement applies only to violations of *federal* law. Notwithstanding this limitation, the TTAB has inexplicably heard—and often upheld—challenges to marks based on accusations that mark owners had violated only *state laws*.<sup>338</sup> The discrepancies regarding this limitation even led one federal court to declare recently that “it appears unsettled whether this unlawful use theory applies only to laws of the United States, or whether it would apply equally to uses that violate state laws.”<sup>339</sup> In short, in seeking to limit the scope of the lawful use requirement, the Agency has merely replaced one set of problems (undue expense and harshness) with another one (arbitrariness).

---

336. *Id.*

337. *See supra* note 280.

338. *E.g.*, *Facial Aesthetic Ctr. of Excellence Grp., Inc. v. Stewart Wang, M.D., Inc.*, No. 92044775, 2006 WL 3296210, at \*4 (T.T.A.B. Oct. 27, 2006) (denying motion for summary judgment because there was genuine issue of material fact regarding whether respondent had violated state law); *Geraghty Dyno-Tuned Prods., Inc. v. Clayton Mfg. Co.*, 190 U.S.P.Q. (BL) 508 (T.T.A.B. 1976) (dismissing petition to cancel based on violation of state vehicle code); *State Hist. Soc’y of Wis. v. Ringling Bros.-Barnum & Bailey Combined Shows, Inc.*, 190 U.S.P.Q. (BL) 25 (T.T.A.B. 1976) (investigating alleged violation of state licensing law, but finding law not violated); *Pet Inc. v. Bassetti*, 219 U.S.P.Q. (BL) 911 (T.T.A.B. 1983) (similar).

Some claims may prove difficult to classify as involving violations of state or federal law. For example, in *John W. Carson Found. v. Toilets.com, Inc.*, the TTAB affirmed a refusal to register the mark HERE’S JOHNNY based on the applicant’s alleged violation of a federal court order, even though the order enjoined applicant from violating a *state* law right of publicity. 94 U.S.P.Q.2d (BL) 1942 (T.T.A.B. 2010). The affirmance is in tension with TTAB holdings suggesting the lawful use requirement applies only to violations of federal laws. After all, one wonders whether the PTO would have reached the same result had the injunction been issued by a state court instead.

339. *See Veronica’s Auto Ins. Servs., Inc. v. Veronica’s Servs., Inc.*, No. EDCV 13–01327 (DTBx), 2014 WL 7149530, at \*5 (C.D. Cal. Dec. 15, 2014).

The TTAB's procedural decisions have been similarly haphazard. In opposition proceedings, for example, it is unclear whether the opposer bears the burden of demonstrating the applicant's sales were *unlawful*, or whether the applicant must prove its sales were *lawful*. There is precedent favoring each of these mutually incompatible views.<sup>340</sup> The TTAB has also defined the burden of proof differently across cases, sometimes describing it as a "preponderance of the evidence" standard, and sometimes describing it as a more demanding "clear and convincing" evidence standard.<sup>341</sup> (The TTAB's practice of designating many of its decisions as "Non-Precedential" has probably contributed to the inconsistencies across cases.<sup>342</sup>)

By calling attention to the inconsistencies in the TTAB's lawful use decisions, I am not seeking to malign the Agency. Rather, I highlight the inconsistencies to suggest that the requirement demands too much of the PTO. It forces the Agency to address thorny legal issues far beyond the expertise of trademark lawyers, issues the Agency acknowledges it is not properly equipped to address.

The arbitrariness in the TTAB's decisions should be considered another "cost" of the lawful use requirement. The requirement is unfair to those trademark owners who have been denied trademark rights, or

---

340. In *Weight Watchers*, for example, the TTAB held that the opposer bore the burden of demonstrating that applicant had sold its WEIGHT WISE food products "for the purpose of controlling body weight." *Weight Watchers Int'l, Inc. v. I. Rokeach & Sons, Inc.*, 211 U.S.P.Q. (BL) 700, 707 (T.T.A.B. 1981). The applicant's purpose was critical because the FDCA required food sold "for the purpose of controlling body weight" to bear special nutritional labels, which applicant had not attached to its products. *Id.* The TTAB further held that opposer had failed to meet its burden because it offered no evidence—other than the mark itself—to show that applicant had marketed its products for "dietary use." *Id.*

By contrast, in *AFAB*, the TTAB seemingly put the onus on applicant to prove that it had sold its SUPER RUSH isobutyl nitrites for use as an all-purpose cleaner, as it claimed in its filing, rather than for human consumption—i.e., as a drug, as opposer claimed. *AFAB Indus. Servs., Inc. v. Pac-West Distrib. NV LLC*, No. 91224268, 2016 WL 2866564 (T.T.A.B. May 4, 2016). Selling the chemical for the latter purpose would violate the Anti-Drug Abuse Act of 1984. Even though opposer offered no evidence to substantiate its accusation—again, apart from the mark itself—the TTAB still refused to dismiss the opposition because *applicant* had produced "no evidence that the goods identified in its application comply" with the Act. *Id.* at \*3.

341. *Compare Weight Watchers Int'l, Inc.*, 211 U.S.P.Q. (BL) at 707 ("preponderance of the evidence"), with *Satinine*, 209 U.S.P.Q. (BL) at 965 ("clear and convincing evidence").

342. Such a claim has been made regarding nonprecedential (unpublished) judicial decisions. See Jessie Allen, *Just Words? The Effects of No-Citation Rules in Federal Courts of Appeals*, 29 VT. L. REV. 555, 594–95 (2005) ("By making it less likely that judges will have the opportunity and incentive to know and to harmonize the reasoning and results of all similar cases, citation bans work against consistency of outcomes in all routine cases."); Richard B. Cappalli, *The Common Law's Case Against Non-Precedential Opinions*, 76 S. CAL. L. REV. 755, 786 (2003) ("[A]rbitrariness and inconsistency are avoided only by means of a precedential system in which each appellate panel's decision, conscientiously explained in a published decision, is available for consultation . . ."); Merritt E. McAlister, *Downright Indifference: Examining Unpublished Decisions in the Federal Courts of Appeals*, 118 MICH. L. REV. 533, 567–82 (2020) (identifying common flaws in unpublished decisions).



who have been forced to endure lengthy litigation to vindicate those rights, when other, similarly situated parties have not.<sup>343</sup> The requirement also discourages mark owners from seeking registration of their marks, a choice that impairs the function and societal value of the registration system.<sup>344</sup> At the extreme, the requirement could even diminish the incentives for mark owners to invest in their marks. After all, if mark owners cannot reliably predict whether the TTAB will register or cancel a mark, then they also cannot reliably predict whether they will be able to capture the goodwill associated with the mark.

### *E. Meddlesome*

There is one final argument against the wisdom of the lawful use requirement. The requirement not only undermines the administration of the Lanham Act, as just discussed, but it could undermine the sensible administration of other federal laws as well. Pursuant to the requirement, the PTO has taken upon itself to investigate and to sanction—by denying trademark registration—violations of a wide range of nontrademark laws. Congress, however, has entrusted the administration of those statutes to other federal agencies, and those agencies (and Congress) may not appreciate the PTO's meddling.

By the PTO's own admission, other agencies have more expertise concerning the various statutes that trigger the lawful use requirement.<sup>345</sup> Those agencies also generally enjoy broad discretion regarding how best to execute those statutes, including, importantly, how and even whether to pursue violations of them.<sup>346</sup> Exercising that discretion, agencies may decline to sanction violations for any number of legitimate reasons, including the belief that imposing sanctions in a given case would not serve the purposes of the statute in question.<sup>347</sup>

Yet the PTO has failed to give due deference to the choices other agencies make when they administer their statutes.<sup>348</sup> Indeed, the PTO

---

343. See Frederick Schauer, *Precedent*, 39 STAN. L. REV. 571, 596 (1987) (“[D]ecisions that are not consistent are, for that reason, unfair, unjust, or simply wrong.”).

344. Cf. Beebe, *supra* note 18, at 776 (surmising that a “mark holder may rationally forego the opportunity to register a mark unless it is reasonably certain that the application will succeed”); Tushnet, *supra* note 1, at 898 (remarking that a decision to forego registration “is contrary to the overall information-disclosure purposes of the registration system”).

345. See *supra* note 97 and accompanying text.

346. See *Heckler v. Chaney*, 470 U.S. 821, 831 (1985) (recognizing that “an agency’s decision not to prosecute or enforce . . . is a decision generally committed to an agency’s absolute discretion”).

347. For an analysis of the reasons agencies decline to pursue violations of statutes, see Zachary S. Price, *Enforcement Discretion and Executive Duty*, 67 VAND. L. REV. 671 (2014).

348. I found only one lawful use case in which the TTAB appeared to look askance at a possible violation because another agency, more “intimately involved” with the violation, was

insists upon imposing trademark sanctions even when other agencies have chosen not to pursue the same violations. For example, the TTAB has recently refused to register marks used on state-approved marijuana products because the sale of marijuana violates the federal CSA,<sup>349</sup> even though the DOJ—the agency primarily responsible for administering the CSA—strongly disavowed any intent to enforce the statute against such sales.<sup>350</sup> Even after Congress endorsed this nonenforcement policy and barred the DOJ from prosecuting state-approved marijuana sales,<sup>351</sup> the TTAB held its ground and continued to bar registration of marijuana marks, viewing Congress's choice, again, as irrelevant.<sup>352</sup>

By ignoring the choices made by other agencies and by Congress, the PTO disturbs carefully orchestrated enforcement regimes. Consider again the DOJ's nonenforcement policy toward marijuana. The DOJ based this policy in part on the belief that the states were best positioned to regulate marijuana sales and protect consumers, thereby making imposition of harsh federal sanctions under the CSA unnecessary.<sup>353</sup> But by refusing registration of marks used by the state-licensed marijuana industry, the PTO may have undermined the premise of the DOJ policy. As discussed above, the lawful use requirement enables blatant cross-border infringement of marijuana marks.<sup>354</sup> Although such infringement threatens to confuse consumers, there is little the states can do about it individually—e.g., a state cannot stop use of a mark outside of its borders. Thus, by disregarding the

---

"apparently satisfied" after registrant destroyed goods it had shipped unlawfully. *Zao Gruppa Predpriyatij Ost v. Vosk Int'l Co.*, No. 91168423, 2011 WL 3828709, at \*22 n.52 (T.T.A.B. Aug. 9, 2011).

349. See sources cited *supra* note 280.

350. The DOJ announced its intentions in an enforcement memorandum issued in 2013. Memorandum from James M. Cole, Deputy Att'y Gen., to All U.S. Att'ys 3 (Aug. 29, 2013), <https://www.justice.gov/iso/opa/resources/3052013829132756857467.pdf> [<https://perma.cc/S5X4-SCEV>] (discouraging federal prosecutors from taking legal action against marijuana traffickers who comply with "strong and effective" state regulations). The TTAB ignored the memorandum, viewing it as irrelevant for purposes of the lawful use requirement. See *In re PharmaCann LLC*, 123 U.S.P.Q.2d (BL) 1122, 1128 (T.T.A.B. 2017) ("We must determine the eligibility of marijuana-related marks for federal registration by reference to the CSA as it is written, not as it might be enforced at any point in time by any particular Justice Department.").

351. Congress has done so by attaching riders to the DOJ's annual budget. Those riders bar the Agency from prosecuting individuals for actions that comply with state medical marijuana laws. See *United States v. McIntosh*, 833 F.3d 1163, 1176–79 (9th Cir. 2016) (discussing spending riders and their legal significance).

352. *In re PharmaCann*, 123 U.S.P.Q.2d (BL) at 1128.

353. See Memorandum from James M. Cole to All U.S. Att'ys, *supra* note 350, at 2 (noting that the DOJ's nonenforcement policy "rests on its expectation that [legalization] states . . . will implement strong and effective regulatory and enforcement systems that will address the threat those state laws could pose to public safety, public health, and other law enforcement interests").

354. See *supra* notes 282–286 and accompanying text.

enforcement choices made by the DOJ and Congress, the PTO may have undermined—not advanced—the goals of the CSA.

The PTO lawful use requirement also undercuts the administration of other statutes in a second, less obvious way. Because the requirement may be invoked by private litigants, it may create a de facto private cause of action under statutes that do not otherwise provide for any private enforcement.<sup>355</sup> For example, there is no private cause of action under the CSA,<sup>356</sup> but by making violations of the CSA grounds for challenging a mark, the PTO has effectively given private parties a role to play in the enforcement of federal drug laws. While those private parties cannot criminally prosecute CSA violations, they can use the deprivation of trademark rights to sanction a rival's violations of the statute. And there is nothing the DOJ—the agency responsible for administering the statute—can do to stop them.

Although denying trademark rights disrupts enforcement of federal regulations of commerce, registering marks used in unlawful commerce would not. Registration in no way impedes other federal agencies from sanctioning violations of the laws they are entrusted to enforce. For example, registration confers no immunity from prosecution. Neither does the act of registration necessarily help a mark owner to commit violations of nontrademark laws.<sup>357</sup> The doomsday scenario posited by the TTAB in *Satinine*, that, without the lawful use requirement, it might be forced to register a mark on heroin,<sup>358</sup> is a red herring. Consider that to register a mark on that drug, a mark owner would need to admit, on the record, that it had committed a felony (the sale of heroin) for which it could be imprisoned up to twenty years (even more for more than minimal quantities).<sup>359</sup> No one is likely to do that, at least while the DOJ continues to prosecute heroin offenses.<sup>360</sup> (Parties are willing to do that for marijuana only because the DOJ and Congress have decided marijuana crimes will not be prosecuted.) And if the unthinkable does happen, the PTO could register the mark on heroin, and then forward the offending application to the DOJ and let

---

355. Rabe, *supra* note 26, at 334 (asking whether lawful use requirement could provide “a ‘back door’ for the enforcement of federal statutes with no private cause of action”).

356. *E.g.*, *Smith v. Hickenlooper*, 164 F. Supp. 3d 1286, 1290 (D. Colo. 2016) (noting that “federal courts have uniformly held that the CSA does not create a private right of action”), *aff’d sub nom.* *Safe Sts. All. v. Hickenlooper*, 859 F.3d 865 (10th Cir. 2017).

357. Even if trademarks might sometimes facilitate unlawful sales, the TTAB does not limit application of the lawful use requirement to cases where that danger is actually present. *See supra* notes 336–337 and accompanying text (highlighting inconsistent application of TTAB’s nexus test).

358. *See supra* note 110 and accompanying text.

359. 21 U.S.C. § 841(C) (listing criminal punishments for drug offenses).

360. There is a reason Walter White never sought to register HEISENBERG as a mark for use on meth.

that Agency decide how best to handle the violation; there is no need for the PTO to investigate, adjudicate, and sanction a drug law violation itself.

### *F. Summary*

The lawful use requirement is an unwise addition to federal trademark policy. The requirement stokes consumer confusion; it unfairly strips mark owners of the ability to protect their brand names and any benefits associated therewith; it greatly complicates registration proceedings, thereby adding to the cost of those proceedings; it introduces new arbitrariness into TTAB decisions, as the Agency struggles to apply the doctrine's complicated and ill-defined rules consistently; and it upsets the enforcement regimes Congress has designed for nontrademark laws. Recognizing these costs, it becomes apparent why the Congress that passed the Lanham Act would not have given the PTO authority to deny trademark registration based on violations of nontrademark laws. But by highlighting these costs, this Part has also shown why the PTO and the courts should not demand lawful use, even if they had been given the authority to do so.

### RECOMMENDATIONS AND CONCLUSION

The lawful use requirement has no place in trademark law. Limiting the doctrine would not go far enough.<sup>361</sup> For one thing, the PTO has no more statutory authority to impose a narrow lawful use requirement than it does a broad one. In any event, limiting the doctrine would not reduce all the costs associated with it. As explained above, the limitations the PTO has previously grafted onto the requirement have greatly complicated the doctrine, thereby adding to its burdensomeness and arbitrariness. Nor would it be possible to work around the requirement without abolishing it.<sup>362</sup> Simply put, the lawful use requirement must go.

---

361. Some commentators have suggested tweaking the requirement, but not abandoning it outright. *See, e.g.*, Crocker, *supra* note 285, at 597–98 (suggesting requirement should not apply to sales of marijuana); Rabe, *supra* note 26, at 334–47 (recommending changes to make requirement more suitable for infringement litigation).

362. A few scholars have devised ways to evade or lessen the impact of the requirement, but their suggestions remain untested and are intended to benefit the cannabis industry, not all mark owners. *See, e.g.*, Jacobs, *supra* note 285, at 169 (suggesting states could form agreements recognizing cannabis marks used in other states); Sam Kamin & Viva R. Moffat, *Trademark Laundering, Useless Patents, and Other IP Challenges for the Marijuana Industry*, 73 WASH. & LEE L. REV. 217, 248–49 (2016) (suggesting marijuana firms could lessen impact of requirement by registering their marks for use on nonmarijuana goods like t-shirts).

This Part briefly outlines two plausible ways the requirement could be excised from federal trademark law.<sup>363</sup> First, the PTO could voluntarily abolish the requirement for use in trademark registration proceedings. To make that happen, the PTO should initiate rulemaking proceedings to repeal Rule 2.69.<sup>364</sup> In addition, the TTAB should expressly hold in a registration proceeding that compliance with nontrademark laws is no longer a distinct requirement for registration. Ideally, the Board would also expressly overturn or disavow precedents, like *Coahoma* and *Stellar*, that created and affirmed the requirement.<sup>365</sup> But however it is done, the Agency needs to make clear that it will no longer refuse or cancel registrations just because a mark owner has violated some nontrademark statute.<sup>366</sup>

The change in policy would not only put the Agency back in compliance with the Lanham Act, but it would also alleviate the many harms that stem from the ill-considered requirement. For example, trademark examiners would no longer need to worry about the lawfulness of the “use in commerce” cited in any of the more than seven-hundred thousand trademark applications submitted every year. Of course, the change would mean that the PTO would have to register a mark, even when it knows that an applicant violated some other law when selling its trademarked goods. But if the PTO is sufficiently concerned by a possible violation, it could bring the matter to the attention of whatever agency is tasked with enforcing that law. The important point is, the PTO does not need to investigate, adjudicate, and sanction the violation itself. In fact, the PTO is overstepping its statutory authority when it does so, and for no good reason.

Second, if the PTO does not abolish the lawful use requirement on its own, the courts should invalidate the Agency’s requirement at the next available opportunity—i.e., the next time a dissatisfied party

---

363. Congress could also amend the Lanham Act to make it clear(er) that the statute does not demand lawful use for registration of a mark. Given the difficulty of moving *any* legislation through Congress, however, it seems unrealistic to expect Congress to fix the PTO’s mistake.

364. Interestingly, in 1978, a committee formed by the Secretary of Commerce recommended repeal of Rule 2.69, because the PTO “should not concern itself with the policing of other statutes.” *Report of the Public Advisory Committee for Trademark Affairs*, 68 TRADEMARK REP. 660, 664 (1978).

365. Curiously, the Board’s procedural manual does not even contemplate the possibility the Agency might change its interpretation of the Lanham Act *sua sponte* (i.e., without being compelled to do so by a court). See TMEP, *supra* note 60, § 1217 (acknowledging only that the Board may depart from precedent when new facts or changed circumstances warrant).

366. Even when the Board has modified the lawful use requirement in the past—for example, by recognizing new limits thereon—it has not expressly disavowed prior decisions in tension with the new limits. See *supra* notes 332–334. The failure to clarify the status of earlier decisions has contributed to the uncertainty and arbitrariness surrounding the requirement, and thus should be avoided going forward.

appeals from a lawful use decision of the TTAB.<sup>367</sup> Although parties have been reluctant to appeal from TTAB lawful use decisions in the past, this Article lays the groundwork for a successful challenge. Indeed, this may be the ideal time to mount such a challenge. As noted in the Introduction, recent Supreme Court decisions suggest the courts are open to reexamining even “well-settled” trademark doctrines. And since the courts do not defer to the PTO’s legal decisions,<sup>368</sup> nothing should prevent a court from holding that the lawful use requirement is ultra vires and thus unenforceable. In other words, the path for mounting a successful legal challenge to the lawful use requirement is clear. All that is needed is a party willing to pursue it.

Of course, there would be additional issues for the courts and the PTO to resolve once they have excised the lawful use requirement from the trademark registration system. For example, they would need to decide whether to make the change retroactive, a decision that could have important ramifications for priority over marks previously denied registration on lawful use grounds.<sup>369</sup> Likewise, courts that have recognized it may want to revisit the unlawful use defense in trademark infringement litigation. While courts, unlike the PTO, have some statutory authority to recognize equitable defenses like clean hands, the unlawful use defense might exceed the scope of that authority,<sup>370</sup> and it generates many of the policy concerns raised by the lawful use requirement. But these are issues for another day. For now, suffice to

---

367. Ideally, the Federal Circuit would take up the issue, since the Board considers itself bound by that court in all registration proceedings. *See supra* note 159.

368. *See supra* note 132. To be sure, commentators disagree about the degree of deference courts owe PTO interpretations of the Lanham Act. *Compare* Gerhardt, *supra* note 267, at 644–45 (offering several reasons why “federal courts should be particularly cautious about deferring to USPTO trademark decisions”), *with* Wasserman, *supra* note 65, at 1514 (suggesting the “Federal Circuit fails to afford the Trademark Office sufficient deference with respect to both the Agency’s legal *and* factual determinations”). For present purposes, however, the disagreement is immaterial, because the precise level of deference accorded the PTO is unlikely to change a court’s determination that the Agency’s lawful use requirement is unauthorized.

369. For one cogent approach to addressing questions of retroactivity spawned by changes to law, see Jill E. Fisch, *Retroactivity and Legal Change: An Equilibrium Approach*, 110 HARV. L. REV. 1055 (1997).

370. *See supra* note 265 and accompanying text. For example, a broad “unlawful use defense” obviates the need for the other, narrower defenses Congress specifically enumerated in section 33(b). Most relevantly, for present purposes, section 33(b)(7) provides a defense against infringement of a mark that “has been or is being used to violate the antitrust laws of the United States.” 15 U.S.C. § 1115(b)(7). Since a broad “unlawful use defense” could be triggered by violations of antitrust laws (among other statutes), it arguably makes the section 33(b)(7) defense superfluous and the many limits imposed thereon ineffective. *See, e.g.*, *Carl Zeiss Stiftung v. V.E.B. Carl Zeiss, Jena*, 298 F. Supp. 1309, 1315 (S.D.N.Y. 1969) (holding that to prevail on section 33(b)(7) defense, defendant must show that plaintiff’s mark was the “fundamental vehicle required and used to accomplish the violation”); *Cott Beverage Corp. v. Can. Dry Ginger Ale, Inc.*, 146 F. Supp. 300, 303 (S.D.N.Y. 1956) (holding that antitrust defense “deprives a misuser of a trade-mark of certain evidentiary advantages, but it does not strip him of his trade-mark”).

say that there is no insurmountable barrier to abolishing the PTO's lawful use requirement in registration proceedings.

In demanding compliance with sundry nontrademark laws, the PTO has lost sight of the statute it is supposed to administer. The Lanham Act does not require lawful use for registration, nor should it. Making registration or protection conditional on compliance with nontrademark laws does nothing to further the aims of trademark law. To refocus the PTO's attention on the core issues of trademark law, the lawful use requirement must go.

\*\*\*