

THE DAILY RECORD

Wednesday, August 22, 2019 / Volume III / Number 163 / \$2.00 • Western New York's trusted source for legal and real estate news

IP FRONTIERS

The difficulties of protecting cannabis and related intellectual property

As more than half of the states in the U.S. have recently decriminalized cannabis/marijuana to some extent, the domestic cannabis business has been growing rapidly. As of the date of this publication, marijuana is legal for medical use in 33 states and the District of Columbia, and for recreational use in 11 states and the District of Columbia. Full legalization of cannabis failed to pass in New York in June, but lawmakers settled on decriminalizing the possession of relatively small amounts of cannabis. However, cannabis and most cannabis-derived products remain federally illegal. Cannabis and most cannabinoids (the active chemicals in cannabis/marijuana) are currently classified as Schedule I controlled substance under the Controlled Substances Act of 1970 (CSA).

Like any business, companies selling cannabis and related goods invest in branding and product development. A company's brand and its innovative products can be protected by various forms of intellectual property schemes — such as trademarks to protect its branding and patents to protect its inventions. Unfortunately, the conflict between the federal government and states on the legality of cannabis and related goods has created great difficulties in using intellectual property to protect cannabis related trademarks and inventions.

Patenting cannabis and related products and methods

U.S. patent law falls within the exclusive purview of the federal government, both statutorily and in the enforcement of patent rights. Unlike European patent law, which prohibits patents on inven-



By Kristian Ziegler
Daily Record
Columnist

tions considered “contrary to public order or morality,” U.S. patent law is amoral and nonjudgmental.

To receive letters patent in the U.S., an applicant must only demonstrate that their invention is useful, novel/new (i.e., not previously publicly known) and non-obvious

(i.e., not an obvious modification or combination of that which is previously publicly known). U.S. patent law does not require the applicant to actually produce a real-world product or otherwise take any action to implement the invention (i.e., to use the claimed invention in commerce). The legality of the invention itself, and the use of the invention, is thus of no consequence in obtaining a patent.

The U.S. Patent and Trademark Office (USPTO) started awarding patents for cannabis-related products decades ago before the recent medical marijuana laws. But the number of cannabis-related patents has picked up remarkably since Colorado and Washington legalized the cannabis for recreational use in 2012. The number of U.S. cannabis patent holders has nearly quadrupled since 2016. Last year, the USPTO issued 77 patents containing the word cannabis in a claim (and about 70 so far in 2019), while the

USPTO only issued 29 such patents during 2017 and 14 during 2016. Dozens of patents related to cannabinoids and various strains of cannabis have recently issued, including patents directed to cannabis-laced toothpaste, coffee pods containing cannabis, frozen cubes of cannabis juice purée, and methods for making cannabis-spiked beverages. The U.S. government itself (specifically the Department of Health and Human Services) secured a patent to a method of “administering a therapeutically effective amount of a cannabinoid.”

While an applicant may be able to obtain a patent for a cannabis related product or method, enforcement of the patent is unlikely. Cannabis-related patent litigation is very rare. It appears that there have only been two cases which involve the enforcement of a cannabis patent, and were both initiated last year and are still pending.

Under a long line of authorities going back to 1725, the illegality of cannabis and cannabis related products as a Schedule I controlled substance probably creates an insurmountable barrier to the enforcement of most cannabis patents. For example, if a cannabis patent owner seeks damages in a patent infringement action, they would seek compensation in the amount of: 1) the royalty that the infringer should have paid to the patent owner; or 2) the profits that the patent owner would have made but lost because of the infringer. But under either damages theory, the patent owner would be seeking the profits that came from committing a crime under the CSA or the Federal Food, Drug, and Cosmetic Act (FFD-

CA). Cases from the U.S. federal courts send a clear message that they will not lend their aid to a criminal enterprise by adjudicating disputes over entitlement to the fruits of the criminal enterprise.

Trademarking cannabis and related products and services

The Lanham Act is the federal statute that governs trademarks, service marks, and unfair competition. Generally, the Lanham Act extends federal trademark protection only to marks associated with goods and services that are lawfully used interstate or foreign commerce, which may be registered with the USPTO. As the Trademark Manual of Examining Procedure (TMPEP) used by the USPTO explains, a federal trademark application cannot relate to the shipment or production of an illegal drug. So as cannabis remains a Schedule I controlled substance under the CSA, trademark protection at the federal level is not available for marks relating to the production, sale, or distribution of cannabis and related products and services.

In May, the USPTO released Examination Guide 1-19 directed to the examination of marks for cannabis and cannabis-related goods and services after enactment of the 2018 Farm Bill. The Examination Guide identifies the CSA, the FFDCA and the Agriculture Improvement Act of 2018 (the 2018 Farm Bill) as the federal authorities applicants and trademark examiners need to consult to make a determination of whether com-

merce involving cannabis and cannabis-related goods and services is lawful or not. The 2018 Farm Bill, which was signed into law in December 2018, excludes “hemp” from the CSA’s definition of marijuana/cannabis. Hemp is defined as “the plant *Cannabis sativa* L. and any part of that plant, including the seeds thereof and all derivatives, extracts, cannabinoids, isomers, acids, salts, and salts of isomers, whether growing or not, with a delta-9 tetrahydrocannabinol [THC] concentration of not more than 0.3 percent on a dry weight basis.” Cannabis plants and derivatives such as CBD that contain no more than 0.3% THC on a dry-weight basis (i.e., hemp) are no longer illegal substances under the CSA.

However, even if CBD or hemp-derived products are legal under the CSA, not all such goods are fully federally lawful. For example, the use in foods or dietary supplements of a drug or substance undergoing clinical investigations, such as CBD, without approval of the U.S. Food and Drug Administration (FDA) violates the FFDCA. The 2018 Farm Bill in fact explicitly preserved the FDA’s authority to regulate products containing cannabis or cannabis-derived compounds under the FFDCA. Registration of marks for any goods containing CBD will therefore still be refused as unlawful under the FFDCA, even if derived from hemp, as such goods may not be introduced lawfully into interstate commerce.

While some marks may not be federal-

ly registerable as being directed to illegal goods or services, each state has its own state laws protecting trademarks, and even maintains its own register of trademarks. Few registrants utilize state trademarks because they rarely give any additional protection over federal trademark law, as federal trademark law preempts state trademark laws. But a state trademark can be an effective way to use state law to prevent local competitors within the state (but not out-of-state competitors) from using the same or confusing similar marks. However, this approach will not provide companies with a cause of action against another company operating in another state.

While the intellectual property associated with cannabis and cannabis-related products may be a valuable part of a cannabis business, cannabis’s classification as a federally illegal drug adds an additional level of complexity for business owners and investors. As a result, when considering an investment or strategy for developing a business in the cannabis field, it is important to work with an experienced advisor familiar with these issues.

Kristian E. Ziegler is an associate with the law firm of Heslin Rothenberg Farley & Mesiti P.C. His intellectual property law practice includes all aspects of patent, trademark and copyright law but is primarily directed to patent prosecution. He can be reached at (518) 452-5600 or kristian.ziegler@hrfmlaw.com.