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High-Level Overview of Intellectual Property Protection for the Cannabis Industry

The cannabis industry is booming and as it continues to grow, new cannabis-related businesses are forming in various sectors of industry and new plant varieties, products and techniques are developed daily. Protecting cannabis-related businesses and innovations as they emerge and develop is essential to industry success.

As the United States drifts toward the legalization of cannabis, the cannabis industry must be able to adapt to the rapidly changing laws and constantly increasing competition. The federal government divides the cannabis plant species into two categories – the hemp category and marijuana category. Hemp is distinguished as having a concentration of no more than 0.3 percent delta-9-tetrahydrocannabinol (THC). Federally, marijuana remains illegal under the Controlled Substances Act of 1970 whereas hemp was legalized under the 2018 Farm Bill. A majority of states have also decriminalized or legalized some form of medical or recreational usage of marijuana.

Intellectual property protection can be sought for brand names, logos, packaging, consumer products, cultivation methods, plant varieties, plant by-products and more. Below is a brief overview of the different types of intellectual property protection available for businesses and individuals operating and innovating in the cannabis industry.

Trademarks

Trademarks provide protection for words, phrases, symbols and designs that are source indicators of goods or services.

State trademark protection or common law protection may be sought in some states, but provide limited protection compared to federal trademarks. Federal trademarks are issued by the United States Patent and Trademark Office (USPTO) and provide national protection for a mark. Thousands of marks have already been registered with the USPTO for cannabis-related brands and the USPTO even has a designated design code (05.13.09) for marijuana, cannabis and hemp plants or leaves. One requirement to obtain a federal registration for a mark is lawful use of the mark in interstate commerce. This means federal trademark registration can only be obtained for federally legal products and services sold across state lines.

Currently, trademark registration can be sought for goods and services that do not directly implicate or touch the marijuana plant. For instance, hemp production, providing cannabis related information or education, and providing services to cannabis businesses, such as marketing, are all services eligible for trademark registration. Goods such as hemp products, non-cannabis-specific smoking accessories and apparel are also eligible for registration. However, it is not uncommon for the USPTO to closely scrutinize trademarks applied for by businesses that directly touch the marijuana plant, such as dispensaries and growers.

If marijuana becomes federally legal, more trademark registrations could be obtained on marijuana-specific brand goods and services, such as logos, brand names, slogans, packaging, scents, sounds and

even colors. Early protection of some sort may prove to be extremely beneficial for the future as it can help to show prior use in the industry where a previously illegal use might not be accepted.

Copyrights

Copyrights provide protection for creative works, such as logos, written materials, photographs and software.

Copyrights are issued by the United States Copyright Office and may be used to protect logos or other marketing or business works. There is no legality requirement for obtaining a copyright; however, because U.S. federal district courts hold exclusive jurisdiction over copyright infringement cases, enforcement of cannabis-related copyrights in federal copyright actions may be complicated.

Trade Secrets

Trade Secrets provide protection for information that is not generally known, has value to others who cannot legitimately obtain the information, and is subject to reasonable efforts to maintain its secrecy for as long as the requirements are met.

Trade secrets only protect information that is not generally known or reasonably ascertainable by others. Trade secret protection does not prevent others from ascertaining the information in legitimate ways, such as experimenting or reverse engineering. Therefore, they should be used for certain aspects of a business, including formulas, recipes, processes or methods that have economic benefit and are not easily determined. There is no legal process to obtain a trade secret, but a business owner must take the necessary steps to protect a trade secret. These steps can include labeling, non-disclosure agreements, proper training for employees and limiting exposure to a need-to-know basis.

Differing state laws may make trade secrets particularly beneficial for the cannabis industry. Those in the industry may choose to protect items, such as customer lists, soil compositions, cultivation methods, harvesting processes, extraction methods, drying methods and marketing strategies. Recipes and formulas, such as those for oils, edibles, supplements and cosmetics, would also be candidates for trade secret protection.

Patents

Patents are issued by the USPTO and, like copyrights, do not have a legality requirement. Patents provide a right to exclude others from using the patented invention. Enforcement of cannabis patents is untested and will likely prove to involve numerous legal issues.

One requirement for a patent application is that the invention must be novel. This means that the applied-for invention cannot be the same as another invention or patent/application (i.e., prior art) and it cannot be previously available to the public. There is an exception for the applicant's own public disclosures within one-year prior to filing the application. For the cannabis industry, this is complicated for a few reasons. First, there is limited publicly-available research and information for the applicant and a Patent Examiner (at the USPTO) to compare to the filed application, which could result in the granting of patents even though the invention may already be publicly available. Second, the cannabis black market is as old as the laws prohibiting it; consequently, many products have already exceeded this one-year disclosure period and would not be eligible for patent protection. Finally, there may be some questions that arise as to what was publicly available.

A patent only provides owners with the right to exclude others; it does not give the owner the right to use the invention. The right to use or freedom to operate is another matter. If the invention involves a plant or product owned by another, the patent owner would still need a license from that person to use or sell

the patented invention. Additionally, an owner must be able to enforce the patent, which can involve litigation in federal court. Currently, the enforcement of cannabis plant patents is largely unknown and untested. Some issues that may arise are the validity of patents, the legality of the industry, prior art, if enforcement would require illegal activity, and the regulation of the black market. One of the most closely watched cases, *United Cannabis Corporation v Pure Hemp Collective Inc.*, No. 18-CV-1922-WJM-NYW, 2020 WL 376508 (D. Colo. Jan. 23, 2020), was dismissed on March 31, 2021 after United Cannabis Corporation's bankruptcy, without the court's ability to fully analyze the infringement claims.

Design Patents

Design patents provide protection for ornamental designs of manufactured articles for 15 years from the issue date of the patent.

Design patents can be used to protect the unique shape or appearance of items, but they do not protect plants, methods or the use of an item. Design patents may be sought for ornamental items, such as storage containers, product packaging, wrappers, displays and any accessory products with a cannabis-related design.

Plant Patents

Plant patents provide protection for distinct and new varieties of plants - limited to those that can be propagated asexually - for 20 years from the filing date.

While plant patents may seem to be the obvious choice for patenting a cannabis plant, the protection they offer is limited. Plant patents only cover asexual reproduction and clonal varieties of plants, which means that seed cultivation would not infringe the patent.

A biological deposit of the plant is not required for plant patents, but the application must include a complete botanical description of the plant and the characteristics which distinguish that plant from other known plants. The description needs to be of the entire plant even if only part of the plant is useful or sold. The description should include details regarding growth habit, branching habit, shape, bark, buds, blossoms, leaves, fruit, fragrance, taste, disease resistance, productivity, precocity and vigor, if relevant. For cannabis plants, a description and level of THC and cannabidiol is also important.

Utility Patents

Utility patents provide protection for processes, machines, manufactured goods and chemical, biological and other compositions of matter for 20 years from the filing of the patent application.

Utility patents are more expensive and harder to obtain than plant and design patents, but the protection they offer is more inclusive. Utility patents can be sought for both sexually and asexually reproduced plants, plant products, consumer goods, methods or machines. To be eligible for patent protection the invention must be patent eligible subject matter, novel, non-obvious and fully enabled by the description provided in the patent application.

The process for obtaining a cannabis plant or plant by-product utility patent has many unique challenges. The patent-eligible subject matter requirement eliminates naturally occurring plants, and as previously mentioned, the novelty requirement places limitations on inventions that have been available to the public for more than one year from filing.

Finally, the enabling requirement means that the application must describe how to make and how to use the invention. Using words alone to describe how to make a plant or plant product is nearly impossible, and many applications are rejected for lack of enablement. If a specific cannabis plant is essential to the claimed invention, it must be obtainable by a repeatable method or readily available to the public. To overcome this, some applicants have chosen to use a biological material sample deposit under the Budapest Treaty. This process typically involves depositing a sample of 2,500 seeds at a U.S. depository. However, U.S. depositories will not accept federally illegal substances, including marijuana seeds. Some applicants have used international depositories, such as the National Collections of Industrial, Food and Marine Bacteria Ltd. in Scotland. In at least a few instances, the USPTO has allowed applicants to deposit a smaller number of seeds, partially to accommodate different state limitations of legal possession.

Utility patents may be sought for both sexually and asexually reproduced cannabis plants, specific genes or traits, and methods, such as breeding, cultivation, propagation, extraction or sorting. Additionally, utility patents may be sought for products, such as lamps, harvesting equipment, accessories, sorting devices, smoking and cannabis-infused products such as food, beverage, pharmaceuticals and cosmetics.

Plant Variety Protection Act Certificates

Plant Variety Protection Act Certificates provide protection of new varieties of seeds, tubers and asexually propagated plants for 20-25 years.

Certificates are issued by the U.S. Department of Agriculture Plant Variety Protection Office. Certificate owners have the right to exclude others from marketing and selling their varieties, manage the use of their varieties by other breeders and enjoy legal protection of their work. Plant Variety Protection does not protect reproduction of a protected variety for plant breeding, for research or for bona-fide purchasers to save a limited amount of seed for replanting.

The process to obtain a certificate involves an applicant paying an application fee of $5,150 and depositing 3,000 seeds at the National Laboratory for Genetic Resource Preservation in Fort Collins, Colorado. Currently only hemp seeds can be protected as the depository will not accept marijuana seeds.

Conclusion

A strong intellectual property portfolio involves multiple different types of protection. The above listed types of protection can be obtained individually or in combination with one another. For example, a trade secret may be used prior to applying for a utility patent or a logo could be trademarked and used in a design patent. Industry members should work with an intellectual property lawyer to develop a strategy that best suits the specific needs for their business. A proper strategy will take into consideration business size, timing, location, laws and cost.

If you have any quesitons about this information memo, please contact Lacey C. Miller or the attorney at Bond with whom you are regularly in contact.

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