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# ┌ **Cannabis: IP Impacts and Opportunities**

Capitalizing on the Protection and Regulation of the  
Legal Use of Cannabis

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# ┌ Legal Treatment of Cannabis in the U.S.

## Use of cannabis in the U.S. – Federal Level



- The Controlled Substances Act of 1970 (CSA) defines “marihuana” to mean (with some exceptions):

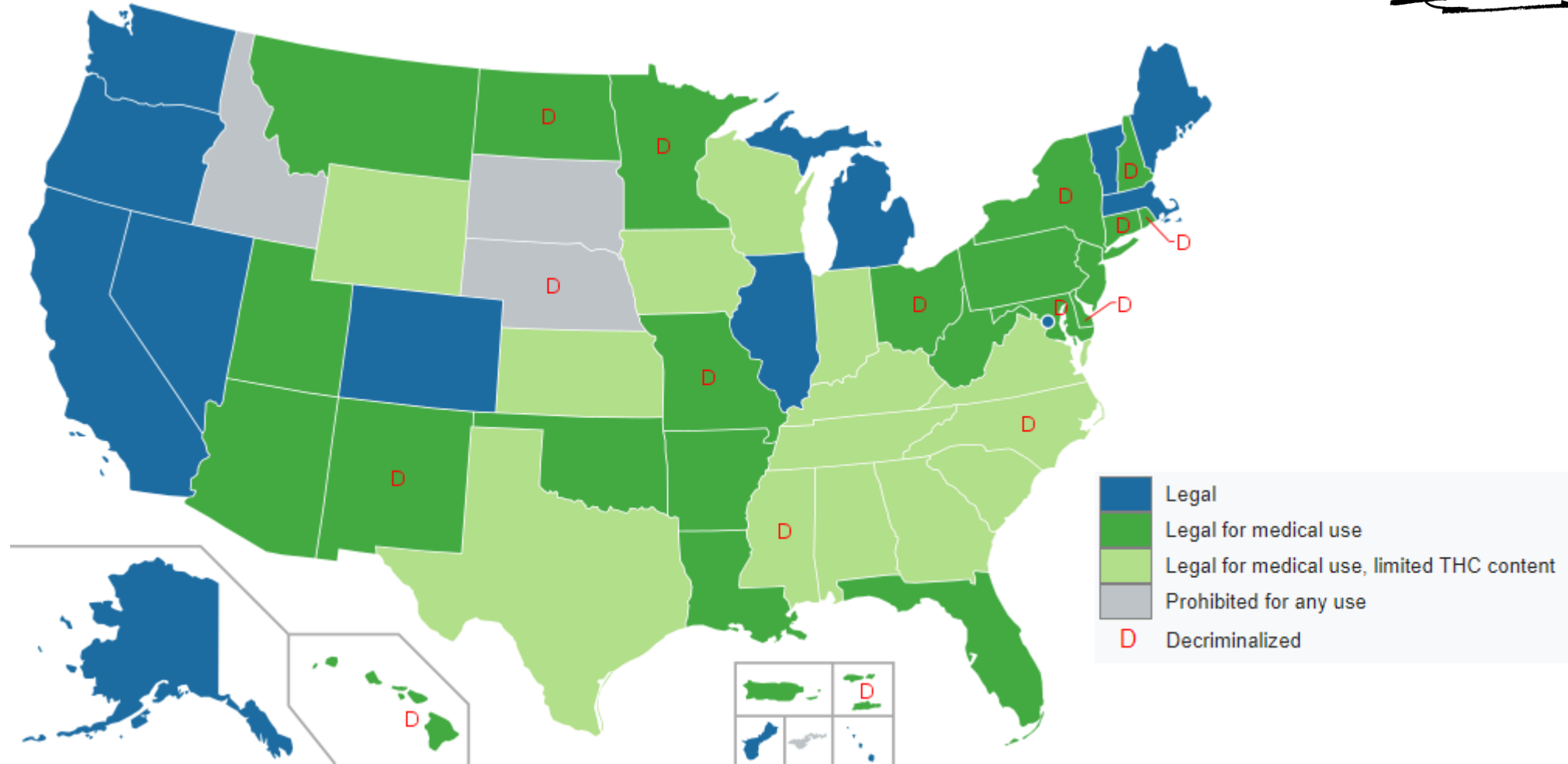
all parts of the plant *Cannabis sativa* L., whether growing or not; the seeds thereof; the resin extracted from any part of such plant; and every compound, manufacture, salt, derivative, mixture, or preparation of such plant, its seeds or resin (21 U.S.C. § 802(16))

- Under the CSA, any use or possession of marihuana is illegal
- The “Agriculture Improvement Act of 2018” (the Farm Bill), enacted on December 20, 2018, made important changes regarding hemp





# Use of cannabis in the U.S. – State Level



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## The 2018 Farm Bill



- The Agriculture Improvement Act of 2018 (“Farm Bill”):
  - Defines “hemp” to mean:

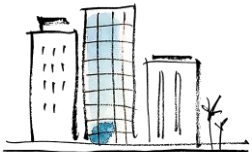
the plant *Cannabis sativa* L. and any part of that plant, including the seeds thereof and all derivatives, extracts, cannabinoids, isomers, acids, salts, and salts of isomers, whether growing or not, **with a delta9 tetrahydrocannabinol concentration of not more than 0.3 percent on a dry weight basis.**

- Amends the CSA to remove hemp from the definition of marijuana
- Provides a regulatory framework for the production of hemp
- Provides for the interstate shipment of hemp and hemp products
- Preserves the authority of the U.S. Food & Drug Administration to regulate products containing cannabis or cannabis-derived compounds



## Cannabis-Related U.S. Patents

- As there is no requirement of actual reduction to practice, U.S. patents may be obtained for cannabis-related inventions
  - May need to be careful if describing actual use of marijuana
- Many cannabis-related U.S. patents have already issued
  - 5,488 issued patents that mention “marijuana,” “marihuana,” or “cannabis”
  - About 800 of these have issued since June 2018
  - Patents cover many fields



# Cannabis-Related U.S. Trademarks



- Federal Trademark Law
  - Use of a mark in commerce must be lawful under federal law to be the basis for federal registration under the U.S. law.
  - As a result, most trademark applications related to marijuana goods or services will be refused
    - There can be no lawful use or bona fide intent to lawfully use a trademark in commerce if the trademark is used on a product or service that is in violation of the CSA
    - Some exceptions, including (a) for items traditionally intended for use with tobacco products, (b) trademarks referencing marijuana but used on lawful products, (c) trademarks with tangential relationship to marijuana field that do not involve possession or distribution
  - USPTO issued updated guidance in May 2019 to address changes implemented by Farm Bill

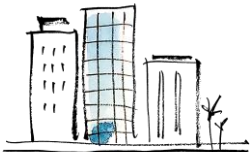




## Cannabis-Related U.S. Trademarks



- May 2, 2019 Guide for Examination of Marks for Cannabis and Cannabis-Related Goods and Services after Enactment of the 2018 Farm Bill
  - Explains treatment of pre-Dec. 20, 2018 applications vs. post-Dec. 20, 2018 applications relating to hemp
  - USPTO will still refuse registration when an application identifies goods encompassing CBD or other extracts of marijuana because such goods are unlawful under federal law and do not support valid use of the applied-for mark in commerce.
  - Registration of marks for foods, beverages, dietary supplements, or pet treats containing CBD will still be refused as unlawful under the Federal Food, Drug, & Cosmetic Act (FDCA), even if derived from hemp, as such goods may not be introduced lawfully into interstate commerce



# Cannabis-Related U.S. Trademarks



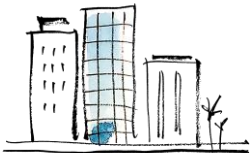
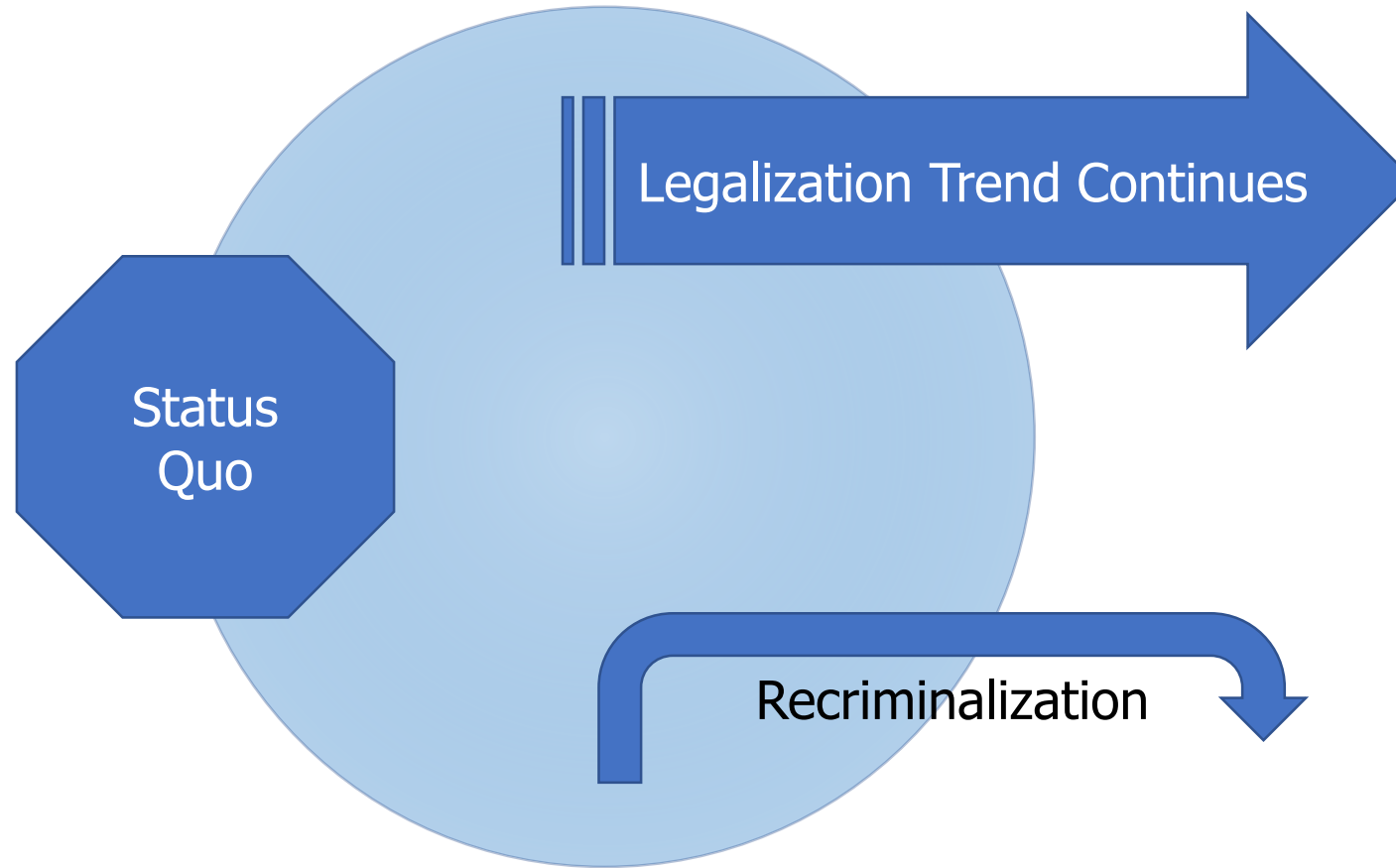
- State Trademark Laws
  - State law provides only available remedy for trademark infringement, given current federal law
  - Most states require current use of mark with goods in the state when state trademark application is filed
  - In states where marijuana goods and services are legal, current use can generally be shown without legal barriers
    - But, be aware of state-specific marijuana packaging, labeling, and advertising laws
    - For example, in Colorado, marijuana may not be included in any trademarked food product, and marijuana products may not be labeled or packaged in a manner that violates any federal trademark law or regulation





# Identifying Impacts and Opportunities

# Peering into the crystal ball – where are we going?



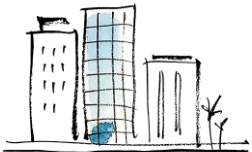
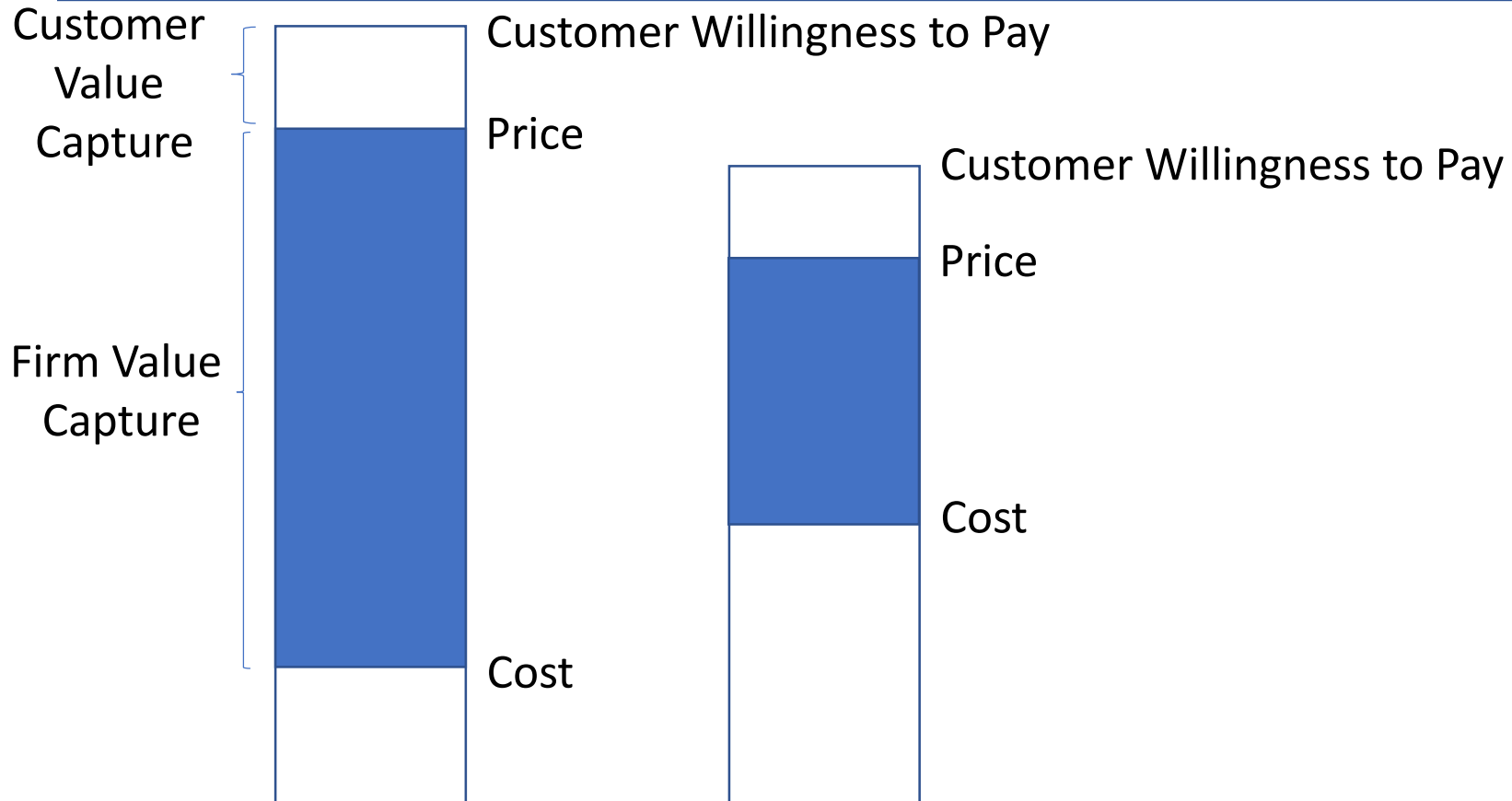
## Affected Industries (for example)



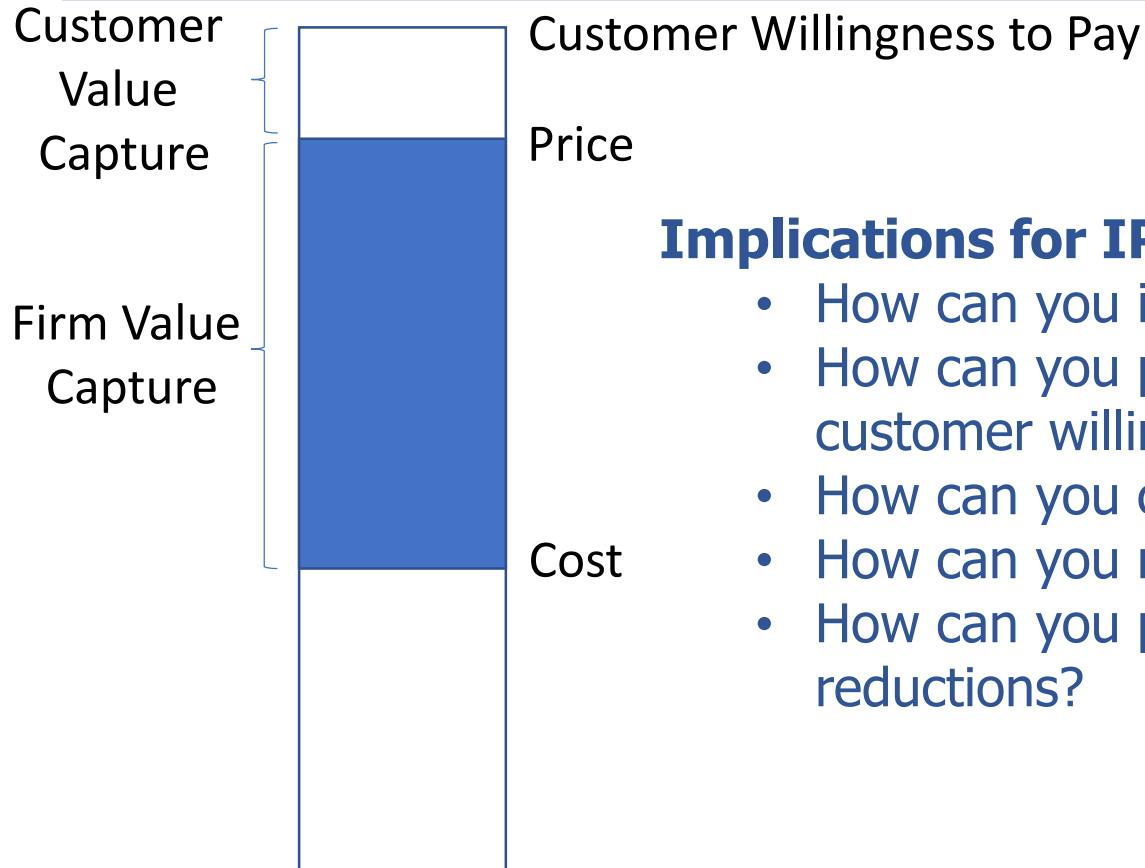
- Agriculture
  - Planting
  - Growing
  - Harvesting
- Medicine
- Pharmaceuticals
- Treatment Methods
- Food
- Supplements
- Delivery Devices
- Shipping
- Packaging
- Detection Devices
  - Compliance with food regulations
  - Compliance with medical regulations
  - Compliance with transportation regulations
- Hemp Products
  - Textiles
  - Clothing
  - Shoes
  - Paper
  - Bioplastics
  - Insulation
  - Biofuel
  - Rope



# Value Sticks: What drives value capture by your company / client?



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## Implications for IP:

- How can you increase customer willingness to pay?
- How can you prevent others from achieving the same customer willingness to pay?
- How can you charge higher prices than your competition?
- How can you reduce costs?
- How can you prevent others from achieving the same cost reductions?



# Mapping the future



- If the trend toward legalization continues:
  - Federal legalization in the U.S. will likely open the floodgates to new investment in the industry
  - Companies with strong IP will be best-positioned to attract investment
- If the status quo prevails:
  - Still significant opportunity
  - Companies can use IP to differentiate themselves from competitors
- If cannabis is re-criminalized in places where it is currently legal:
  - Benefits of IP depend on timing of recriminalization
  - Need to decide whether increased returns resulting from IP protection until recriminalization justify cost of obtaining and maintaining IP



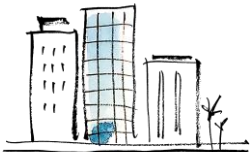


# ┌ Conclusions

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- Looking ahead
  - Take steps now to prepare for the future you expect
  - Pay attention to those steps that will yield advantages regardless of what the future brings
- Use value sticks to identify where IP can have the most impact:
  - Protect features/brands that make customers willing to pay more for your product
  - Use IP (patents, trade secrets, brands) to reduce or eliminate substitutes and protect against price competition
  - Protect technology that allows you to produce at a lower cost.

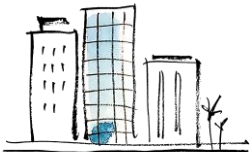


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Questions?

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Thank you!



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