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## Cannabis Patents, Trademarks, and Other Forms of Intellectual Property Face Difficulties

By Nicholas J. Landau and James W. Wright, Jr.

Since more than half of the states in the United States have decriminalized marijuana (those varieties of the *Cannabis* plant with intoxicating properties), the marijuana business is growing rapidly in this country. Like any business, companies selling marijuana and related products invest in branding and product development. A company's brand and its innovative products can be protected by various forms of intellectual property protection, including trademark (for brands) and patents (for inventions). New breeds of plant can also be protected by patents and by plant variety certificates. Unfortunately, these traditional forms of intellectual property pose great difficulties when it comes to *Cannabis*. These arise from the conflict between the states and the federal government on the legality issue. In short, it is virtually impossible to protect trademarks in marijuana at the national level, although not impossible at the state or local level. While there are significant roadblocks to using plant variety certificates

to protect marijuana, critics argue that it is *too easy* to obtain patents.

This article will summarize the difficulties and how the marijuana business can deal with them. It should be noted that this article does not address non-intoxicating strains of *Cannabis* (those containing 0.3 percent or less of THC) that are grown for fiber; these strains, called "hemp" in modern parlance, are much less regulated than are the intoxicating strains referred to as "marijuana."

### Trademarks: Okay at the State Level, No-Go at the Federal Level

A trademark is any visible indication that goods or services come from a given source (such as a brand or the trade name of a product). There are various ways to protect trademarks, using both state and federal law. As one might expect, state law is friendlier to marijuana trademarks than is federal law (at least in states that have decriminalized). Unfortunately for those wishing to protect their marijuana brands, federal trademark protection is stronger than state protection.

There are three levels of legal protection for trademarks. The most basic is common law trademark rights. Common law rights are created simply by using a mark in commerce with goods or services. No application or government approval is necessary. A common law trademark gives the user the exclusive right to use the mark in a given industry in the user's

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**Nicholas J. Landau, Ph.D.**, is a partner at Bradley Arant Boult Cummings LLP advising clients in the procurement, protection, and litigation of all forms of intellectual property, including patents, trademarks, and trade secrets. **James W. Wright, Jr.**, is a partner in the firm's Banking and Financial Services and Litigation practice groups focusing on financial services litigation and regulation. The authors may be reached at [nlandau@bradley.com](mailto:nlandau@bradley.com) and [jwright@bradley.com](mailto:jwright@bradley.com), respectively.

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existing geographic market. In order to enforce that exclusivity in court, the burden is on the user to prove numerous requirements, including the extent of its geographic market.

In contrast, federally registered trademarks grant exclusive rights to the holder in the entire United States. These rights are superior to common law trademarks. If two companies are using the same mark for the same goods, and one company has a federally registered trademark and the other a common law trademark, the owner of the federally registered trademark has the right to exclude the other company from using the mark.

The only exception occurs if the common law trademark owner can prove it was using its mark before the federally registered trademark owner first used its mark; in that case the owner of the federal registration still has the exclusive rights to the entire United States, *except* for the actual geographic market of the common law mark owner at the time the mark was federally registered. The common law mark owner is said to be “frozen in” to its geographic market under such conditions.

States also maintain trademark registries. They are functionally similar to federal registries, with a significant difference being that one’s rights only extend to the state in question.

The U.S. Patent and Trademark Office (USPTO) currently refuses to register trademarks for marijuana and related goods. This is because federal registration is only available for goods or services that are in interstate or international commerce. This creates at least two problems, because although some states allow the sale of marijuana, its movement across state lines is still forbidden by federal law.

The first problem is that the necessary sworn declaration that the applicant is using its mark for the goods in interstate commerce is basically a confession of a violation of federal law.

The second problem is that the USPTO will refuse to register a mark for any goods or services that violate federal law.<sup>1</sup>

Even if one is willing to swear to engaging in the interstate sale of marijuana, the USPTO will refuse to register a mark if it is being used for marijuana (or anything else that is forbidden by federal law).

Attempts to circumvent this requirement have been numerous, but generally unsuccessful. For example, some businesses sell both marijuana products and non-marijuana products. Confections are

sometimes sold containing marijuana, but of course not all confections do, and some establishments sell conventional confections alongside their marijuana products. Such businesses have sometimes attempted to register the use of a trademark simply for “confections.”

In such cases officials in charge of approving the application (the “Examining Attorneys”) have been known to search for advertising by the applicant to determine whether the applicant deals in marijuana products. (The tendency of marijuana businesses to use marks that emphasize that nature of the business can make the determination easy). Examining Attorneys who have found outside evidence that the mark in question will be used in association with marijuana products have refused to register marks on that basis. Such dual-use marks can still be registered, but only by inserting a caveat into the trademark registration “not for use with *Cannabis* products.” While this caveat will overcome the USPTO’s refusal, it will also defeat the purpose of applying for the registration.

On the other hand, not all goods and services related to marijuana are themselves illegal under federal law. Marks have been federally registered for such goods and services as marijuana-related publications, marijuana marketing consulting, guided tours of marijuana establishments, marijuana quality testing services, and marijuana growing training classes.

Nonetheless, those who sell the plant itself (or its scheduled extracts) cannot avail themselves of federal trademark registration to protect their brands. The next best approach is to register a trademark in the state or states where the mark is being used. This will not exclude others outside of that state from infringing the mark; if a business needs to protect its marijuana mark in multiple states it must apply for registration in multiple states.

### **Plant Patents and Utility Patents: Too Many Patents?**

Plant patents give a plant breeder the exclusive right to clonally propagate a specific strain or cultivar of plant. Utility patents are broader and grant exclusivity over all plants having some new and non-obvious trait. Because *Cannabis* is sometimes clonally propagated, plant patents are an effective way to protect new marijuana strains. Utility patents are as well. In contrast with the federal

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registration of trademarks, the USPTO has granted several patents for marijuana plants. Indeed, the granting of marijuana patents have been criticized as *too lenient*.

Specifically, the USPTO has been criticized for granting patents that cover what is not new. When a patent application is submitted for an invention, the USPTO searches patents, journal articles, catalogs, and other public documents to determine whether the invention existed before. The USPTO employs skilled searchers, who generally can find publicly known inventions.

Until recently, however, it was a criminal act to cultivate or even possess marijuana. As a result, most marijuana growers did not publicly disclose the traits of their strains. This has created a “black hole” of information before the age of decriminalization going back to the early 20th century. This limits the ability of the USPTO to determine whether strains of marijuana are really new and has likely resulted in wrongfully granted patents.

While this might seem like an opportunity for marijuana breeders, it also poses a threat to anyone in the marijuana industry. If the USPTO grants a patent on an old strain of the plant, those who have already been using the strain could incur liability. The fear of frivolous litigation has the potential to create chaos in the industry. Ultimately one would expect patents for old strains to be invalidated in court; nevertheless, evidence of invalidity could be hard to obtain, and litigation is costly even for the prevailing party. Many would be inclined to give up the use of a strain or settle the matter out of court even when the case involves an invalid patent.

The impact of this problem can be reduced by various measures. For example, in many industries the impact of poor-quality patents is minimized by proactively publishing information about existing technology (“defensive publications”). These publications are made available to the USPTO to prevent others from patenting what they describe. Marijuana breeders could do the same and publish the details of their past and new strains to defend against someone else patenting those strains. Another way to reduce the impact of the allegedly lax patenting regime is to monitor new marijuana patents at the USPTO. Once alerted to a new marijuana patent or application, one can take appropriate action to

avoid infringement, challenge the patent or application, seek a license, etc.

As a side note, there is a requirement that parts of the plant be provided to the government to obtain a utility patent (in some cases) or a plant variety certificate (in every case). This requirement poses an apparent problem: shipping marijuana through the mail is against federal law. So far no plant variety certificates have been granted for marijuana; the requirement to send seeds with the application might be one reason why.

To earn a utility patent for a biological invention it is sometimes necessary to provide some biological material from which the plant or other biological entity can be propagated to a biological depository. This would seem to pose the same problem.

At least one patent owner, The Biotech Institute (TBI), seems to have avoided any complications of this type for their U.S. Patent Number 9,642,317.<sup>2</sup> For that patent, TBI deposited seeds to a depository in the United Kingdom and provided a cell culture sample to a U.S. depository.

### **Industrial Hemp is Treated Differently**

The Agriculture Improvement Act of 2018<sup>3</sup> (Subtitle G) decriminalized the cultivation of strains of *Cannabis* having 0.3 percent or less on a dry weight basis of the psychoactive compound delta-9-tetrahydrocannabinol, or “THC.” Low THC hemp can now be grown to produce fiber, oil, and other industrial products, subject to certain regulations. The federal government has acted quickly to clarify that the rules for intellectual property for hemp differ from the rules for the higher THC strains of marijuana.

For example, the U.S. Patent and Trademark Office published guidance, “Examination of Marks for Cannabis and Cannabis-Related Goods and Services after Enactment of the 2018 Farm Bill,”<sup>4</sup> on May 2, 2019 stating that trademark registration is available for hemp and goods made from hemp, but not for marijuana.

The U.S. Department of Agriculture announced on April 24, 2019<sup>5</sup> that plant variety protection certificates may be granted for hemp; it does not mention marijuana. Consequently, hemp faces a very different IP landscape than does marijuana.

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## Where Does This Leave the Marijuana Industry?

Although there are difficulties facing marijuana companies in both defending against and obtaining intellectual property rights, these may not be insurmountable. Members of the marijuana industry have successfully dealt with many legal hurdles in the past and continue to do so.

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Although federal trademarks are unavailable, state and common law rights can be strategically used to protect marijuana brands. At least one industry

member seems to have found a solution to the biologic deposit requirement for patenting, and patents for marijuana are being granted. If too many invalid patents are being granted as the critics allege, the industry can respond with administrative challenges, defensive publications, or other measures.

### Notes

1. 37 C.F.R. §2.69, <https://www.law.cornell.edu/cfr/text/37/2.69>.
2. <https://patents.google.com/patent/US9642317?q=U.S.+Patent+Number+9%2C642%2C317>.
3. <https://www.congress.gov/115/bills/hr2/BILLS-115hr2enr.pdf>.
4. <https://www.uspto.gov/sites/default/files/documents/Exam%20Guide%201-19.pdf>.
5. <https://www.ams.usda.gov/content/usda-now-accepting-applications-seed-propagated-hemp-plant-variety-protection>.

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