



Intellectual Property Protection in the Cannabis Industry

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As an ever-increasing number of countries and states legalize the growth, manufacture, sale, and use of cannabis, the industry becomes a prevailing force in the global marketplace. In the competitive national and world markets, intellectual property (IP) protection is essential for these entrepreneurial companies as they emerge and expand. But IP protection for the cannabis industry can be challenging, at the least, and usually, arduous.

For these fledgling cannabis businesses, intellectual property protection provides:

- **Market advantage** – owning exclusive rights to certain aspects of the cannabis business, such as unique strains, extraction methods, or product formulations, can give a company an edge in the competitive market.
- **Attracting investors** – a strong portfolio of IP can make a cannabis business more appealing to investors, as it may strengthen the company’s commitment to innovation and differentiation, potentially increasing valuation.
- **Licensing opportunities** – a well-managed IP portfolio enables entrepreneurial cannabis businesses to license their products or brands to others, generating a lucrative revenue stream and a means of expanding the business without a significant drain on capital.
- **Legal protection** – taking steps to protect the cannabis business’ IP can provide a legal framework for defending against infringement and allows the business to take legal action to stop or prevent others without a license or permission from attempting to use or copy protected material.

For more than a hundred years, American courts have declined to extend jurisdiction to cases in which a claim arises from acts that constitute a violation of law, known as the “illegality doctrine.” Essentially, the doctrine states that courts will not assist a party in recovering “fruits of a crime.” This doctrine is a principle in intellectual property law that restricts the protection of trademarks and other intellectual property rights for activities that are considered unlawful under federal law. In the context of the cannabis industry, where cannabis is still classified under Schedule I under the Controlled Substances Act at the federal level in the U.S., the illegality or “lawful use” doctrine can pose challenges. For example, in *In re Canopy Growth Corporation (by assignment from JJ20, LLC)*, Serial Nos. 86475885 & 86475899 (TTAB 2019) (reaffirming prior cases and reiterating that “where the identified goods are illegal under [federal law] ... it is a legal impossibility for the applicant to have the requisite bona fide intent to use the mark”).

But there are strategies that cannabis businesses can use to navigate these challenges, and depending on the subject matter or material, IP protection can generally take the form of copyright, trade secret, trademark/service mark, or patent.

Copyright protection extends to original works of authorship fixed in a tangible medium of expression. It protects such things as books, music, blog and website posts, or promotional videos. Copyright typically extends throughout the author’s life plus 70 years. Unlike other forms of intellectual property, because copyright involves creative expression, it is not restricted by the federal illegality of marijuana. Accordingly, even if a creative work cannot be trademarked for use with goods or services related to marijuana, an author may nonetheless prevent others from reproducing, distributing, or displaying that work or any derivatives under copyright law.

Trade secret is a valuable form of intellectual property protection, particularly in instances where disclosing the innovation could compromise its value. Trade secret applies to a distinct formula,

practice, process, design, or other innovation that has commercial value and is maintained as secret. This form of intellectual property protection can be useful to protect unique cannabis strains, formulas, recipes, manufacturing processes, or customer lists. A trade secret usually provides less protection than a patent but can last if the protected materials are successfully maintained. It is essential for the business to make use of appropriate non-disclosure agreements and employment agreements, and to avoid disclosure of innovation details to as few as possible.

Trademark and service mark protection is widely used to prevent competitors from capitalizing on a successful name or brand while also protecting consumers from confusion as to the source of the goods or services they are buying. In the cannabis industry, trademark protection can be difficult to acquire as federal trademark registration is only allowed for lawful use, and marijuana remains illegal under federal law. This rule was modified slightly by the 2018 Farm Bill, which allows registration so long as the products, including hemp and cannabidiol (CBD) goods, contain no more than 0.3 percent tetrahydrocannabinol (THC). Other non-cannabis goods and services, such as smoker's articles and paraphernalia, consulting services, topicals, batteries for vaporizers, machines, packaging, and website blogs may have the availability to file for federal trademark protection and thus designate the source of such non-cannabis goods and services. Additionally, state trademark registrations may be available for cannabis goods that do contain levels of THC above 0.3 percent, especially in states that have legalized. When successfully applied, trademark can provide protection for brands and can cover any word, name, symbol, or device that consumers use to identify and distinguish the cannabis business as the source of goods or services and may last for so long as the trademark is used in commerce.

Another exceptionally useful IP tool is patent. Patents generally protect innovative products, processes, or designs and can last for 20 years. Patents protect all new and useful methods, devices, articles of manufacture, and ornamental designs and exclude others from making, using, offering to sell, or selling the patented innovation. Variations of cannabis plants that can be reproduced asexually, such as by cloning, can be protected by a plant patent so long as the cannabis strain has at least one characteristic or quality that is different from all other strains. Alternatively, utility patents provide protection for new plant varieties, whether sexually or asexually reproducing, so long as the patent is novel and nonobvious over previously existing inventions. Similarly, under the Plant Variety Protection Act, one can acquire protections like those imparted under a utility patent. In addition to protecting innovative cannabis strains, patents can protect other types of cannabis inventions, including grow cubes, vaporizers, or new extraction methods. Also, a cannabis business may use a design patent to protect any original ornamental/aesthetic aspect of a product or invention, which lasts 15 years.

Additionally, courts have more recently recognized intellectual property protections under these general principles. For example, in *Gene Pool Technologies v. Coastal Harvest*, Civ. No. 5:21-cv-01328-JWH-SHK (C.D. Cal. Nov. 22, 2022), the court reviewed a utility patent infringement suit overall several U.S. patents pertaining to methods for

extracting oils and other compounds from plant material. The court noted that the plaintiff was "not seeking a remedy that would compel either party to violate the Controlled Substances Act," since the plaintiff's complaint alleged damages that were based on the defendant's extractions "from cannabis," which does not necessarily constitute a violation of the Controlled Substances Act. In support of this position, the plaintiffs highlighted the distinction between federally illegal marijuana and federally legal hemp, claiming that the protected method could apply to the latter. Moreover, since the plaintiff was an IP-holding company and did not actually implement the technology and methods claimed in the patents, the only conduct that arguably violated the CSA was the defendant's actual infringement activity. The defendant's motion to dismiss based on illegality was denied, that the plaintiff ultimately prevailed.

And the Ninth Circuit Court of Appeals held in *AK Futures LLC v. Boyd St. Distro, LLC* that delta-8 THC is legal for purposes of trademark protection. 35 F.4th 682, 686 (9th Cir. 2022). The court's rationale was based on the Agriculture Improvement of 2018 (also known as the Farm Bill or Farm Act) and, more specifically, *what was left out* of the 2018 Farm Bill. *Id.* at 690. The Ninth Circuit held that delta-8 THC products were "lawful" under the plain language of the act because they are "removed [as] 'hemp' from the definition of marijuana in the Controlled Substances Act." The court denied all of defendant's arguments that the act did not extend to protect delta-8 THC.

While federal illegality and the legal use doctrine present unique challenges for the cannabis industry in obtaining typical intellectual property protection, there are avenues for cannabis businesses to prevent infringement and build strong brands, methods, and devices. These entrepreneurs should consult with counsel knowledgeable in both intellectual property and cannabis laws and regulation for the most effective way to achieve such protection.

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