



IP and Cannabis: The Current Landscape

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Agenda

- **FDA regulation of cannabis products**
- **Trademark strategies for protecting and enforcing canna-brands**
- **Obtaining patent protection for cannabis-related inventions**
- **Issues to consider when litigating cannabis-related IP**



FDA Regulation

FDA Regulation of Cannabis

- **Until 2018, cannabis in almost all forms a “Schedule 1” drug**
- **Changing social attitudes**
 - Legal in Canada, South Africa, Uruguay, and Georgia
 - State laws relaxing for recreation and medical use

FDA Regulation of Cannabis

- **2018 federal Farm Bill removed “hemp” from the definition of “marijuana” in the Controlled Substances Act**
- **But did not eliminate FDA regulation over products containing hemp or other cannabis derivatives, and especially cannabidiol (CBD)**

FDA Regulation of Cannabis

- **Much interest around CBD and potential health benefits**
 - widespread availability
 - marketing as (or as ingredient in) dietary supplements, drugs, food, and even cosmetics

FDA Regulation of Cannabis

- **CBD in Dietary Supplements**

- Supplements cannot be marketed for the cure or prevention of disease or conditions in humans or animals
- CBD is unlawful ingredient in dietary supplements... but maybe changing?



FDA Regulation of Cannabis

- **CBD in Drugs**
 - Naturally-occurring CBD only approved in Epidiolex for epilepsy
 - Use for other purposes would currently require submission to FDA of a new drug application, including clinical studies of the safety and effectiveness for the intended indication

FDA Regulation of Cannabis

- **CBD in Food**

- As with dietary supplements, generally not permitted
- Except for hulled hemp seed, hemp seed protein powder, and hemp seed oil



FDA Regulation of Cannabis

- **CBD in Cosmetics**

- May be on the firmest legal ground (assuming not marketed as affecting the structure or function of the body or for use in combatting disease)



FDA Regulation of Cannabis

- **FDA CBD Enforcement Policy**
 - November 2019 warning letters to 15 companies
 - Little enforcement activity since
 - FDA working on new policy





Trademark Strategies

Selecting and Adopting Canna-Marks—Overview

- **For the most part, ordinary trademark rules still apply**
- **Companies should adopt trademarks that are:**
 - Distinctive
 - Not confusingly similar to other brands

The Spectrum of Distinctiveness

Generic	<ul style="list-style-type: none">– Name of the good or service covered by mark, e.g., CBD for CBD extracts– Never protectable
Descriptive	<ul style="list-style-type: none">– Describes a function, feature, or characteristic of the good or service, e.g., AMERICAN AIRLINES for airline services– Protectable with “acquired distinctiveness”—i.e., as a result of the owner’s extensive use, sales, marketing, etc., consumers view it <i>as a trademark</i> and <u>not</u> as a <i>descriptive term</i>
Suggestive	<ul style="list-style-type: none">– Suggests info about the good or service without <i>describing</i> it, e.g., AIRBUS for airplanes– Immediately protectable, but fine line between descriptive and suggestive marks
Arbitrary	<ul style="list-style-type: none">– A known word with no connection to the good or service, e.g., APPLE for computers– Strong protection
Fanciful	<ul style="list-style-type: none">– A made-up word, e.g., KODAK for cameras– Very strong protection

Note: Distinctiveness Can Change Over Time

- Distinctive marks can become generic and non-protectable over time (“genericide”)
- Anticipate and avoid words that are *becoming* generic/descriptive in your industry
- Do not use *your trademarks* in a descriptive or generic way, including in marketing materials or website copy

Selecting and Adopting Canna-Marks—Confusion

- **Recommend conducting a clearance analysis before adopting a new trademark, despite some practical limitations in the cannabis space**
- **Factors to consider:**
 - Are the trademarks similar in appearance, sound, or commercial impression?
 - Are they used with goods or services that are related in any way?
 - Do the brands travel in similar channels?
 - Is the existing trademark well known or famous?

Selecting and Adopting Canna-Marks—Confusion

- Do not rely on parody of a well-known non-cannabis mark as a future defense
- Cases where well-known brands sue over cannabis parodies often resolved by default or a confidential settlement where the cannabis company rebrands:
 - *Hershey Co. v. Conscious Care Coop.*: (see examples below) two cannabis companies agreed to rebrand and destroy their inventory of infused edibles that parodied well-known Hershey brands
 - *Gorilla Glue v. All GG#4 Cultivators*: a cannabis company agreed to stop using the plaintiff's GORILLA GLUE trademark
 - *Stash Tea Co. v. Stash Cannabis Co.*: Washington's then-largest recreational dispensary agreed to stop using the name STASH pot shop on threat of claims from STASH TEA



Protecting Cannabis Trademarks

- **Common Law (i.e., Unregistered Trademarks)**
 - Automatically created when you use a trademark in commercial activities
 - BUT, narrowest rights, limited to geographic area of use
- **State Trademark Registrations**
 - Better and more formal rights than mere common law within one state
 - Mostly consistent with federal law (see Cal. Bus. & Prof. Code § 14272)
- **Federal Trademark Registrations**
 - Best rights with nationwide scope and constructive notice
 - *Other benefits include:* access to Madrid Protocol, recordal with U.S. Customs, and presumptions of validity, ownership, and exclusive rights

The “Use in Commerce” Issue with Federal Registrations

- **For goods, “use in commerce” typically requires the mark owner to have:**
 - Placed the mark on the goods or something closely connected to them; and
 - Sold those goods to an actual, *bona fide* customer; or
 - Transported those goods to an actual, *bona fide* customer
- **For services, “use in commerce” requires the trademark owner to have:**
 - Placed the mark on something it used to sell or advertise the services; and
 - Rendered those services to an actual, *bona fide* customer
- **Not just *use in commerce*, must be lawful use in commerce**

The Controlled Substances Act (CSA)

- Treats marijuana and most cannabinoids as illegal substances
- The 2018 Farm Bill amended the CSA definition of “marijuana” to remove “hemp,” i.e., a member of the cannabis plant family having no more than .3% THC on a dry-weight basis
- But, the 2018 Farm Bill did not decriminalize marijuana

The Food Drug and Cosmetic Act (FDCA)

- Requires pre-market approval from the FDA for foods, beverages, supplements, drugs, or pet treats that contain substances undergoing clinical investigations for the treatment of medical issues
- Because CBD is undergoing clinical investigations, selling CBD-infused foods, supplements, etc. *requires pre-market approval*
- To date, the FDA has only approved 1 CBD-infused product
- But, it exempted “hemp seed oil,” “hulled hemp seed,” and “hemp seed protein powder” from these regulations.

USPTO Examination Guide 1-19

- **In May 2019, the USPTO issued Examination Guide 1-19 to clarify the procedure for examining cannabis-related trademark applications**
- **Must comply with CSA and FDCA**
- **For instance, applications claiming CBD-infused goods must have:**
 - An effective filing date of December 20, 2018, or later; and
 - A sworn statement that the CBD contains no more than 0.3% THC
- **Also applies to intent-to-use filings**

Prevailing Strategy for Protecting Canna-Brands

- **Federal**: Secure registration(s) for *federally legal* goods or services
- **State**: Secure state registration(s) for actual cannabis products
- **Common Law**: Rely on common law rights and “unfair competition” law to fill gaps as needed

BONUS—Copyright registrations for logos can:

- Provide a basis for statutory damages (up to \$150k per work)
- Block counterfeit imports
- Support takedown requests

Identifying the Scope of Federal Trademark Filings

- **Should select something related to your field of use**
- **But, only for goods/services that are lawful under federal law**
- **Bear in mind, “use in commerce” will be required, so only apply to register marks with goods/services you sell or render, or plan to sell or render in the near future**

Examples of Marks Eligible for Registration After Exam Guide 1-19

Eligible for Registration	NOT Eligible for Registration
<ul style="list-style-type: none">– CBD vaporizers– Topicals (e.g., lotions) infused with hemp seed oil, hulled hemp seed, or hemp seed protein powder– Edibles infused with hemp seed oil, hulled hemp seed, or hemp seed protein powder– Software related to cannabis– Information services related to cannabis– Educational or consulting services related to cannabis– Smoking articles (e.g., pipes, rolling papers)– Apparel and other branded goods– Marijuana graphics in logos for legal goods	<ul style="list-style-type: none">– Marijuana– Gummy bears infused with THC– CBD-infused foods, beverages, supplements, or pet treats– CBD-infused topicals (e.g., skincare products, lotions, balms, or cosmetics)– Retail marijuana dispensary services

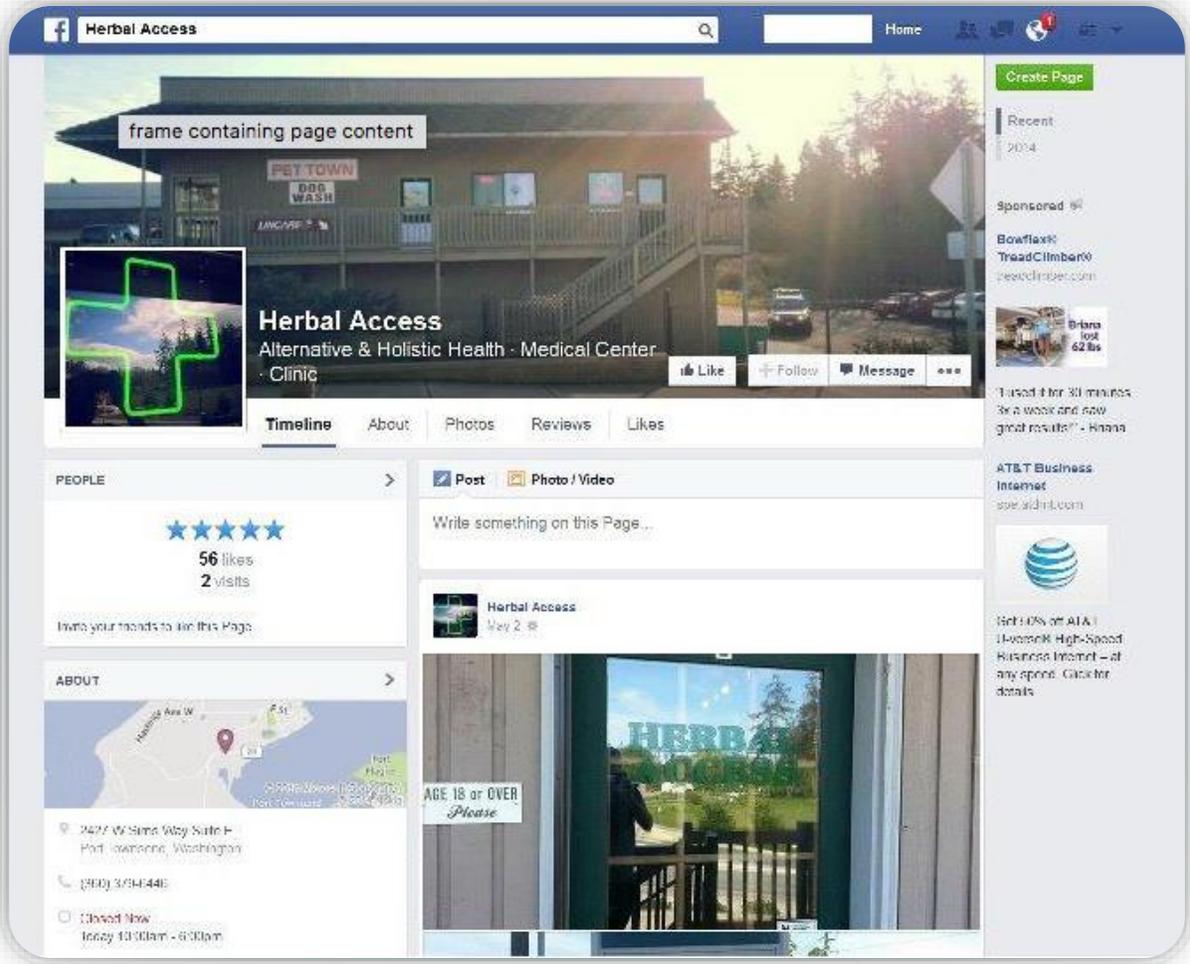
Sample Registrations from 2020

- **EMERA** (US Reg. No. 6175720) for Class 3 hair care preparations containing CBD
- **CBDSKY** (US Reg. No. 6115924) for Class 5 nutritional supplements containing hemp ... and not more than trace amounts of naturally occurring CBD.
- **STASH** (US Reg. No. 6137332) for Class 9 downloadable and recorded mobile application software for inventory management ... within the cannabis industry
- **SUPERHEMP** (US Reg. Nos. 6176912) for Class 34 blunt wraps and cigarette wrapping papers containing CBD
- **CANNIATRIC** (US Reg. No. 6173042) for:
 - Class 35 online consumer product information regarding cannabis
 - Class 41 educational and entertainment services in the field of cannabis
 - Class 42 providing a website with information about scientific research on cannabis
 - Class 44 providing a website featuring health and wellness information in the field of cannabis
- **BIDI** (US Reg. No. 6169545) for (among other things) "online social networking services via a website and social media in the field of lifestyle, wellness, and cannabidiol (CBD) products

Failed Federal Filing Strategies

- The fact that cannabis goods are only sold in states where it has been legalized is “irrelevant” on the issue of whether there was a lawful use in commerce under federal law. *In re JJ206, LLC*
- Budget legislation softening federal enforcement of laws pertaining to medical marijuana was not sufficient to create federal trademark rights absent actual legislation. *In re PharmaCann LLC*
- Using a creative or ambiguous description of goods like “dried herbs” to hide their unlawful nature rarely works.
- The fact that the description of an applicant’s services does not *specifically identify* anything unlawful does not mean the Examiner won’t investigate and reject the filing. *In re Morgan Brown*

Morgan Brown Specimen of Use



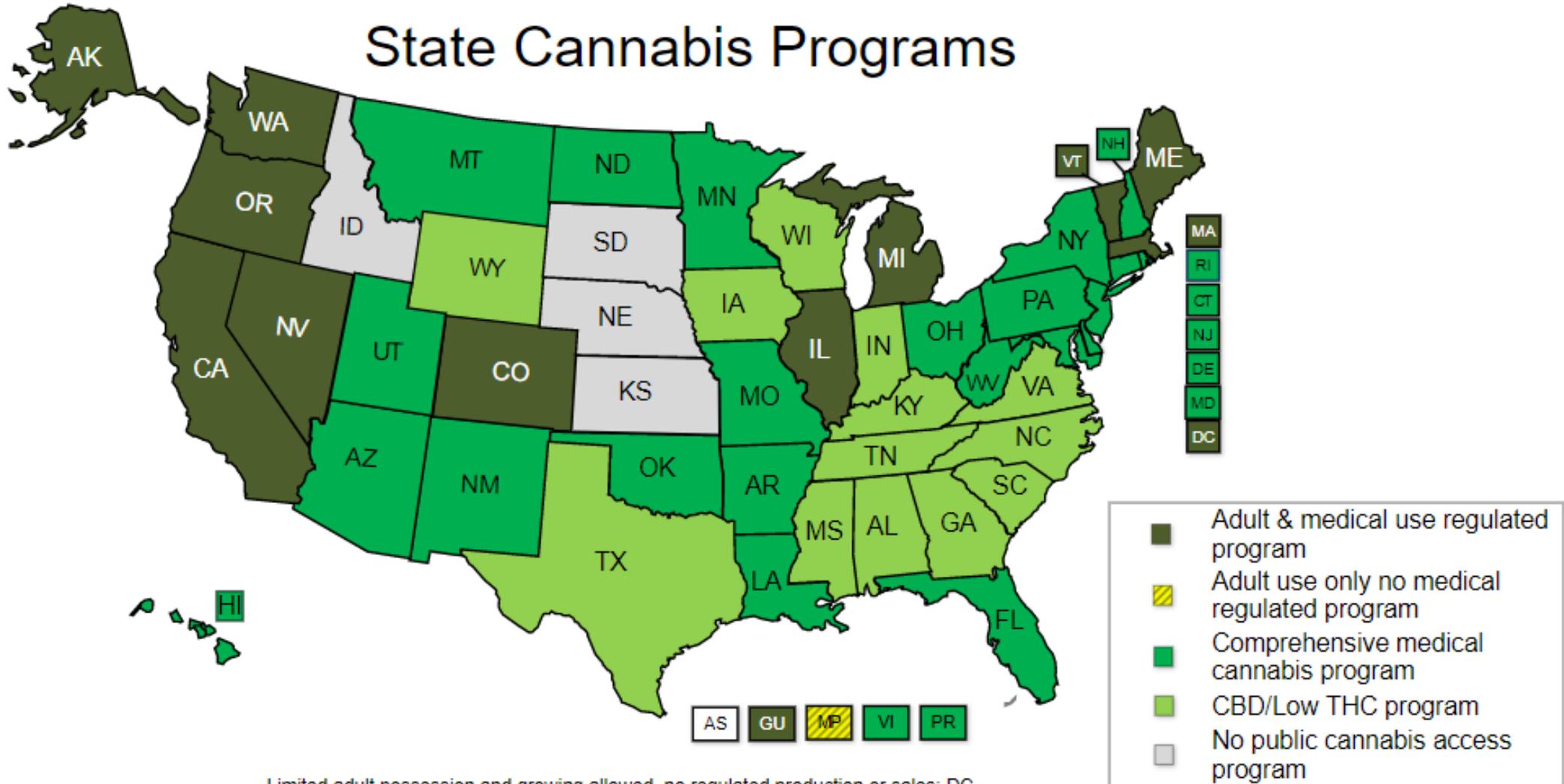
The HERBAL ACCESS Case Attack on Ancillary Uses

- “Any goods or services for which the mark is used must not be illegal under federal law.”
- Threat to strategy of seeking registration for ancillary goods/services
- If adopted by courts, could impact companies providing goods that are *both* legal *and* illegal under federal law, such as a company selling candy (legal) and THC-infused candy (illegal)

State Registration of Canna-Marks

- **11 states, Northern Mariana Islands, and Guam legalized *recreational* use**
- **33 states, 4 territories, and Washington, D.C. legalized *medical* use**
- **14 states have laws limiting THC content but allowing CBD**
- **16 states and the U.S. Virgin Islands have *decriminalized* cannabis**

State Cannabis Programs



Limited adult possession and growing allowed, no regulated production or sales: DC

October 12, 2020

State Registration of Canna-Marks

- Legalization has opened the door to register canna-marks
- Many states (including CA) use a slightly modified version of USPTO's classification system
- Example—JUJU JOINTS

Details			
Trademark	JuJu Joints		
Status	Effective	Date of first use in commerce	02/01/2014
ID number	20141207711	Registration date	03/28/2014
Renewal month	September	Expiration date	03/28/2019
Class	034		
Goods or services	smokeless marijuana or cannabis vaporizing apparatus; vaporizing marijuana or cannabis delivery device		
Deleted goods or services	n/a		

Fallbacks—Common Law and Official Names

- **Automatic common law rights**
- **Legal presumptions of exclusive rights for other official names**
 - CA Bus. & Prof. Code § 14411: filing a fictitious business name statement (DBA) creates “a rebuttable presumption that the registrant has the exclusive right to use as a trade name the fictitious business name, as well as any confusingly similar trade name, in the county in which the statement is filed”
 - CA Bus. & Prof. Code § 14415: creating a similar presumption for parties that file Articles of Incorporation or obtain a Certificate of Qualification

Enforcing Cannabis Trademarks

- **Necessary—must police rights or risk losing them**
- **Recommend watch services to monitor for state, federal, and common law infringement (noting practical limitations)**
- **If appropriate, register ancillary marks with Amazon Brand Registry**

Actual Enforcement Procedures

- **Most common examples include:**
 - Federal district court lawsuits
 - State court lawsuits
 - Opposition or cancellation proceedings at the USPTO
 - Domain name disputes (e.g., pursuant to the UDRP)
 - Social media takedowns
- **Tread carefully in demand letters to avoid declaratory relief claims, particularly if your registrations is vulnerable**

Challenges of Enforcing Cannabis Trademarks

- **Strategies untested**
- **Likelihood of recovery low in many cases**
- **State court may be better (or at least safer) in many cases**

Survey of Recent Cases

- ***In re Stanley Brothers Social Enterprises, LLC (TTAB 2020)***
 - Rejecting the mark CW for “hemp oil extracts sold as an integral component of dietary and nutritional supplements”
 - The record showed that the goods contained CBD and therefore violated the FDCA
- ***In re NL LLC (TTAB 2020): Rejecting the logo shown below for Class 5 dietary supplements containing CBD, finding a *per se* FDCA violation***



Survey of Recent Cases

- ***Woodstock Ventures LC et al. v. Woodstock Roots, LLC* (SDNY 2019):** owner of federal registration for WOODSTOCK covering “smoker’s articles” could not enjoin the sale of WOODSTOCK marijuana products because the registration file history showed the owner claiming the goods would not be used for marijuana
- ***Kiva Health Brands Inc. v. Kiva Brands Inc.* (N.D. Cal. 2019):** California company selling infused edibles could not assert prior common law rights in the State of California against federal trademark infringement claims from a health food company because the company’s marijuana-based goods remain illegal under federal law

Survey of Recent Cases

- ***UPS vs UPS420* (C.D. Cal. 2019):** UPS sued a company operating the websites UPSGreen.com and UPS420.com that purported to offer nationwide delivery services for cannabis products under the following marks (shown with the actual UPS logo):



- ***LinkedIn Corp. v. Ozone Group Holdings LLC d/b/a LeafedIn* (TTAB 2018):** after LinkedIn opposed the registration of LEAFEDIN for social networking in the field of cannabis, the parties settled and the defendant rebranded to LEAFEDOUT

Survey of Recent Cases

- ***Tapatio Foods, LLC v. Ponce et al.***: one of two lawsuits filed by Tapatio Foods against companies offering cannabis-infused hot sauces, with this one concerning the mark TRAPATIO and the following logos:



- ***Edible IP LLC et al. v. MC Brands LLC et al.***, 1:20-cv-05840 (2020): recent lawsuit filed by Edible Arrangements against Green Thumb Industries Inc. concerning its use of INCREDIBLES for cannabis-infused edibles



Obtaining Patent Protection

Patenting Cannabis

- **USPTO has issued patents on cannabis for decades**
 - 4,279,824 Method and apparatus for processing herbaceous plant materials including the plant cannabis
 - 5,252,490 Method of identifying country of origin of cannabis
- ***Juicy Whip, Inc. v. Orange Bang, Inc.* (185 F.3d 1364 (Fed. Cir. 1999)):** patents are not invalid on the basis that “they are principally designed to serve immoral or illegal purposes”
- **USDA has recently started accepting Plant Variety Protection (PVP) Certificates on hemp varieties of cannabis (2018 Farm Bill)**

Patenting Cannabis

- **Utility patents (novel, non-obvious, useful, patent-eligible, enabled, described)**
 - 10,792,830 Apparatus and related methods for trimming dried cannabis flowers
 - 10,780,442 Cannabis trichome separation using chilled water
- **Plant patents (new, unique, stable, asexually reproduced)**
 - PP32,318 Cannabis plant named 'MR2017002'
 - PP31,918 Cannabis plant named 'RAINBOW GUMMEEZ'
- **Design patents**
 - D869,237 Waffle maker with cannabis leaf shape
 - D825,137 Garment with cannabis leaves
- **Plant Variety Protection (PVP) certificates (new, distinct, uniform and stable; seeds, tubers and asexually propagated plants) (USDA)**
 - 201900403 NBS CBD-1

Statistics

- **Top US patent filers in 2020 with claims to cannabis:**
 - Exzell Pharma Inc.
 - Canopy Growth Corp.
 - NUVESSL Inc.
 - CMG Partners, Inc.
 - Bright Green Pharmaceuticals, Inc.
 - Cure Pharmaceutical Holdings
 - Receptor Holdings, Inc.
 - Canopy Holdings, LLC
 - Socati Technologies – Oregon
 - Jack Hempicine LLC

- **About 6,000 PCT applications with cannabis-related inventions filed since 2008**

Patent Practice Tips

- **Avoid claiming cannabis-related inventions as a “law of nature” (making them susceptible to a subject matter eligibility challenge).**
- **Claim genetically-modified strains, compounds, formulations, dosage forms, methods of treatment, methods of extraction / purification, etc., in ways similar to those employed in the biopharma and agricultural space.**
- **Consider utility patents and/or PVP certificates before plant patents.**
- **Understand cannabis-related prior art (or lack thereof)**



Issues to Consider When Litigating Cannabis-Related IP

Cannabis Related IP Litigation: Uncertain Territory

- **Enforcement of patent rights in the United States is exclusively governed by federal law**
 - Cannabis remains a Schedule 1 drug
- **Although the USPTO is willing to grant cannabis patents, federal courts might not be so open**
 - Illegality doctrine?
 - Relationship of invention to sale of cannabis
- ***United Cannabis Corporation (“UCANN”) v. Pure Hemp Collective Inc.***

Illegality Doctrine

- The Highwayman's Case
 - Refused to consider a lawsuit over the division of two robbers' spoils.
- *Higgins et al. v. McCrea*, 116 U.S. 671 (1886)
 - The Court held that it will not aid a party who founds his actions on acts which are “illegal, criminal, and void . . . [in] a court whose duty it is to give effect to the law which the party admits he intended to violate.”
- *U.S. v. Mississippi Valley Generating Co.*, 364 U.S. 520 (1961)
 - The Court refused to enforce a contract that was in violation of a criminal statute
- **Gonzalez v. Raich*, 545 U.S. 1 (2005)
 - Congress may criminalize the production and personal use of homegrown cannabis even if state law allows.

Should Illegality Doctrine Apply

- **No court has explicitly considered whether this applies to cannabis patents.**
- **Why it may very well not apply to cannabis patents:**
 - Not the fruit of a crime
 - Patents grant a RIGHT TO EXCLUDE, not a right to engage in illegal acts

Remedies

- **Potential Remedies for Patent Infringement:**
 - Injunction
 - Monetary Damages (Lost Profits, Established Royalty, Reasonable Royalty)
 - Attorney's Fees
 - Seizure, Destruction, and/or Impoundment of the infringing goods
- **Modeling Damages**
 - Proof issues for cannabis patents

United Cannabis Corporation v. Pure Hemp Collective Inc.

Civil Action No. 18-cv-1922-WJM-NYW | Filed: July 30, 2018, US District Court for the District of Colorado

- **On July 30, 2018 United Cannabis Corporation (“UCANN”) filed a complaint against Pure Hemp Collective Inc. (“Pure Hemp”)**
- **Asserted US Patent No. 9,730,911**
 - Claims various liquid formulations of highly enriched extracts of plant cannabinoids, including formulations wherein at least 95% of the total cannabinoids are THCa, THC, CBD, CBDa, THC + CBD, and CBD + CBN + THC
- **April 17, 2019 – Defendant’s Motion for Partial Summary Judgment Denied**
- **February 6, 2020 – Case Stayed**

Thank You!

Please send your NY CLE forms to our CLE team at MCLEteam@fr.com. Any other questions can be sent to Lauren at mcgovern@fr.com

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