Cannabis Law 400:100

Cannabis Law | This article was reviewed by author(s), and the law is current as of December 01, 2020.
Allie Krueger and Noor Bahhur

porterwright
PORTER WRIGHT MORRIS & ARTHUR LLP

Intellectual Property Strategies and Limited Protection in the Wake of the Cannabis Era

I. Introduction

The legal cannabis industry has become one of the fastest growing industries in the United States and does not look like it will be slowing down anytime soon. In the last decade, the United States has seen the legalization of recreational marijuana in eleven states, the legalization of medical marijuana in twenty-two states, and the enactment of the Agriculture Improvement Act (the "Farm Bill") in 2018. In 2020 alone, sixteen states have some form of marijuana reform to be voted on by the constituents. Even if these sixteen states do not enact any sort of policy or reform in 2020, the effects of the cannabis industry have been widely seen and understood. It is predicated that the legal marijuana sales will earn as much as twenty-three billion dollars in the United States. America Marijuana, *Marijuana Statistics in 2019, Usage, Trends, and Data*, (February 28), https://americanmarijuana.org/marijuana-statistics/.

New businesses that focus solely on cannabis related products and services as well as businesses who ancillary support these products and services are growing by the hundreds each year. As this industry begins to get more saturated with businesses and new products, and begins to receive more protection under both federal and state law, protecting a company's intellectual property and understanding how and what intellectual property can be protected is more important than ever.

II. Trademarks

The Farm Bill was passed in 2018, and this bill paved the way for legal hemp and select hemp- related products. Following the enactment of the Farm Bill, the United States Patent and Trademark Office (the "USPTO") in May of 2019, officially issued guidelines when reviewing trademark applications for CBD and hemp-derived goods and services. Prior the Farm Bill, the USPTO had practically no policy in regards to cannabis related trademarks other than rejecting these trademarks. In reforming the USPTO's guidelines in reviewing cannabis related trademarks, the USPTO has taken direction and shaped its policies from several federal laws including the Control Substance Act, the Federal Food Drug and Cosmetic Act, and the Farm Bill, which amends the Agriculture Marketing Act of 1946. United State Patent and Trademark Office, Examination Guide 1-19 (2019).

Eligible Trademarks and Guidelines

The USPTO's Examination Guide 1-19 allows for a narrow and limited amount of registration of the cannabis industry related trademarks. The cannabis related trademarks the USPTO allows businesses to apply and register for are:

1. Legal hemp
2. Hemp derived CBD

3. Hemp oil and other hemp derived goods
4. The service of cultivating hemp
5. The service of the production of hemp-derived goods

The common theme for the above list is that all of these potentially registerable trademarks falls under the category of hemp. As the Farm Bill lays outs, legal hemp must not contain more than 0.3% tetrahydrocannabinol (THC). *See* Agriculture Improvement Act, H.R. 2, 115th Cong. (2018). Any hemp containing more than 0.3% of THC is deemed illegal under the Farm Bill and any product or service not in compliance with this amount will not gain a federal registration with the USPTO.

In order to help monitor if a product is legal hemp or the legal production of hemp as regulated by the Farm Bill or if a product is cultivated in a legal manner with the Farm Bill, the USPTO is asking the applicants of the trademark to provide specific evidence to show compliance. Some of the questions asked by the USPTO are 1) documentation and information regarding the THC content of these products, 2) whether the hemp is grown in the United States, 3) was the hemp cultivated by authorized growers or suppliers, 4) will the products include any CBD, and 5) whether the applicant's good contain more than 0.3% of THC. Although these questions are not exhaustive, these are a part of the USPTO's efforts into segueing trademark registrations for authorized and legal products and uses.

Non-eligible Trademark Registrations

The Examination Guide 1-19 not only lays outs products and services in areas that are able to obtain a federal registration, but those guides also states products and services that will be refused registration. The cannabis related trademarks in which the USPTO will refuse registration for are trademarks that deal with:

1. Foods
2. Beverages
3. Dietary supplements
4. Pet Treats

The USPTO has refused to register the four areas above because of the United States Food and Drug Administration (the "FDA"). United State Patent and Trademark Office, Examination Guide 1-19 (2019). The FDA has made it unequivocally clear that it is a prohibited act to introduce or deliver any food, beverages, and dietary supplements into interstate commerce that contains any THC or CBD. US Food and Drug Administration, FDA Regulation of Cannabis and Cannabis-Derived Products, Including Cannabidiol, (February 16, 8:46 pm), https://www.fda.gov/news-events/public-health-focus/fda-regulation-cannabis-and-cannabis-derived-products-including-cannabidiol-cbd. Since the FDA has taken a strong stance against products in regard to these four areas, the USPTO has followed the FDA's direction. There are currently dozens of trademark applications submitted to the USPTO being refused registration for this specific reason. The USPTO's continuous and consistent response to these applications has been that in order for an application to have a valid basis for registration "the use of the mark must be lawful." *See* In re Pepco Indus., Inc., 192 USPQ 400, 401 (TTAB 1976). As for now, the trademark owners and applicant's will not be able to seek a federal registration with the USPTO for products or services in these four areas.

Trademark Takeaways

The USPTO guidelines in regards to eligible trademark register ability are limited in scope as of the beginning of 2020. However, as laws regarding the acceptability and use of hemp and cannabis related products and services begin to evolve and change, so will the USPTO's stance and acceptance of more trademarks for registration. Although the process may be slow to change USPTO guidelines, there is no doubt that within the next couple of years, if not sooner, there will be more categories of cannabis related trademarks that will be allowed federal protection and registration with the USPTO. As for now, businesses and companies must wait patiently for the inevitable expansion of more acceptable products and uses as it relates to the cannabis industry.

III. Patents

Although the USPTO has seemingly been stricter in granting registration for cannabis related trademarks, the USPTO

continues to routinely granted patents to cannabis-related technologies and inventions. Nevertheless, the lack of jurisprudence concerning the patent eligibility, patentability, and enforceability of cannabis-related technologies, leaves us unsure of where things stand in this ever-growing and ever-changing field.

There is a great deal of uncertainty surrounding the issue of whether or not a patent that is directed to cannabis-related technologies can actually be enforced. Another equally important concern is the question of whether or not cannabis-related technologies or inventions are patent eligible. *UCANN V. Pure Hemp Collective Inc.*, which is currently pending in the U.S. District Court for the district of Colorado, begins to touch on both of these issues. Although this case would not have precedent outside of the state of Colorado, it is currently the only cannabis-related patent infringement case available that can provide us with guidance as to how a court could interpret the issues of patent eligibility and patentability as they relate to cannabis inventions.

The Basics of Patentability

As a general matter, in order for an invention to be patentable, the invention must be:

1. Useful
2. Novel
3. Unobvious.

The requirement of novelty as it relates to patentability is that the invention must be "new." This requirement simply means that the invention in question must not have been identically duplicated or described elsewhere, either in the United States or abroad. As for the requirement of being "unobvious," an invention is considered to be unobvious if the differences between the subject matter of the invention and the prior art, i.e., all information that has already been made available to the public in any form, are such that the subject matter as a whole would not have been obvious to a person having ordinary skill in the art.

These patentability thresholds are the same standards that apply to any and all patent applications and granted patents, including those that are directed to cannabis-related technology. Although cannabis derived from marijuana is still classified as Schedule I drug under the Controlled Substances Act, this classification is seemingly irrelevant to its patentability in view of the general requirements listed above.

However, in order for an invention to be patent eligible, which is a separate criteria than what is patentable, the invention cannot be directed to any sort of law of nature, natural phenomenon, or abstract idea, for example a mathematical concept or mental process. Although the specific issue of patent eligibility and patentability can be complicated in the area of cannabis-related technology, there is now some guidance from *UCANN v. Pure Hemp* as to how this specific issue may be assessed.

Patent Eligibility

In the case of UCANN v. Pure Hemp, 2020 WL 376508 (D. Colo. 2019), patent proprietor, UCANN, has alleged that the defendant, Pure Hemp Collective Inc. ("Pure Hemp"), willfully infringed several claims of its '911 patent, including those directed to a formulation that contains highly concentrated liquid cannabinoids. In response, Pure Hemp has raised the issue of whether or not cannabis-related inventions, and more particularly formulations of cannabinoids, constitute a natural phenomenon in an attempt to invalidate the '911 patent in its entirety. More specifically, Pure Hemp presented the argument that the '911 patent is invalid because the subject matter of the claims of the patent constitute a natural phenomena, since cannabinoids and terpenes are found naturally in the cannabis plant. In response to this argument, the court held that the subject matter of the '911 patent was patent eligible, since Pure Hemp failed to show that the "precise concentrations, or anything close to them, occur in liquid form in nature" and further because the claims are "'directed to' a non-naturally occurring delivery method of naturally occurring chemicals in (as far as the record reveals) non-naturally occurring proportions and concentrations". *United Cannabis Corp.* at *7.

To conclude, at least at this point in time, that cannabis-related inventions, including the creation of cannabis extracts, treatments, or formulations that rely on the cannabis extracts, are not per se patent-ineligible subject matter. As long as it can be argued that the claims reflect some sort of the inventor's handiwork, as opposed to the discovery of nature's handiwork, this should be sufficient to overcome the patent eligibility hurdle for cannabis-related technology.

Patentability

While *UCANN v. Pure Hemp* has not yet investigated the patentability of the '911 patent, the court has foreshadowed some issues that may arise in terms of assessing the novelty and non-obviousness of the claims at issue. The court has already indicated that it "sees reason to question whether the 911 Patent claims anything novel, useful, or nonobvious." *United Cannabis Corp.* at *7. In this regard, the court has specifically pointed to the fact that the '911 patent does not claim subject matter directed to any of the following:

- a process for extracting cannabinoids from cannabis plants—"[a]ny suitable method for extraction known in the art may be used," id. at 9:29;
- a process for making the "liquid cannabinoid formulation" required by every [*14] independent claim, see Claims 1, 5, 10, 20, 25 (emphasis added)—apparently any liquification method will do;
- a requirement with respect to the inactive ingredients within the formulation—"any convenient pharmaceutically acceptable carriers, diluents or excipients" are appropriate, id. at 7:51-53;
- a ratio between the cannabinoid portion of the liquid formulation and the inactive ingredients;
- a process for ensuring that the "at least 95%" threshold has been met—"methods of calculating cannabinoid content (as %) are well known in the art," id. at 7:7-8; or
- a method for using any claimed formulation to treat any particular disease, condition, or symptom. *See United Cannabis Corp.* at *6.

The above comments seem to at least hint at the fact that the claims of the '911 patent are too broad and that UCANN will have an uphill battle in arguing that the claims of the '911 patent are novel and nonobvious.

Patent Enforceability

While over thirty states have now legalized recreational and/or medical marijuana usage in some manner, it is not yet known if patents directed to cannabis-related technology can be enforced in federal court. Unfortunately, *UCANN v. Pure Hemp* provides no insight in this regard. This unknown aspect is quite significant and could have substantial implications for those seeking patent protection for their cannabis-related technologies and inventions. At worst, applicants may run the risk of not being able to enforce their cannabis-related patents once granted. While there is nothing specific at this point in time that would lead one to expect this to be the case, this is something that should be taken into consideration and is an issue that must monitored closely in moving forward in protecting inventions in this area of technology.

Patent Takeaways

Although the case is still being litigated, what can be drawn from *UCANN v. Pure Hemp* is that cannabis-related inventions are not per se patent ineligible subject matter. However, it is important to provide some sort of indication that it was the inventor's "handiwork" that led to the claimed subject matter in a cannabis-related patent/patent application. Furthermore, when drafting claims of a patent application that concern cannabis-related technology, it is important for the parties involved to consider including claims that are not overly broad and to be very mindful of what the claims are actually contributing to the art. Finally, at least in view of *UCANN v. Pure Hemp*, it can be understood that patents that are directed to cannabis-related technology can be enforced in federal court, despite the categorization of cannabis that is derived from marijuana as a Schedule I drug. Whether or not this will hold true in the future is uncertain. However, as this case, and likely many others, make their way through the judicial system, more answers and guidance will be revealed.

IV. Conclusion

While cannabis related intellectual property has gaps as it relates to protection and enforcement, both the USPTO as well as the courts are making headways in closing those gaps. The USPTO and the courts are making it more apparent as to what can be protected and how to protect cannabis related intellectual property.

Laws surrounding the cannabis industry are evolving and expanding at a rapid pace and as laws begin to address these issues

more, businesses and companies will begin to have more opportunities to protect their intellectual property.

About the Authors

Allie Krueger is an associate at Porter, Wright, Morris & Arthur LLP in Cincinnati in the firm's Corporate Department and she focuses her practice on intellectual property. As an attorney and U.S. patent agent in Munich, Germany, Allie routinely drafted and prosecuted U.S., U.K. and European patent applications in the areas of chemistry, molecular biology, immunology, pharmaceutical agents and formulations, medical applications and medical devices. She also prepared validity opinions and freedom to operate opinions. In addition to advising on U.S. and U.K. patent law, Allie participated in opposition matters before the European Patent Office.

Noor Bahhur is an associate at Porter, Wright, Morris & Arthur LLP in Columbus in the firm's Corporate Department. She focuses her practice on intellectual property, and privacy and data security. Noor has extensive knowledge with a variety of trademark and copyright matters in all industries including retail, cannabis, financing, sports, agriculture, and technology. Her work includes the clearance, selection and adaption of trademarks in both domestic and international contexts.