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In The Weeds: Key Intellectual Property Takeaways For The Cannabis Industry

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1. Patent Filings Are Rapidly Increasing

The number of patent filings at the United States Patent and Trademark Office ("PTO") directly correlates to the rise of cannabis legalization. According to Magic Number, a data analytics company, between 2017 and 2018 the PTO issued almost 250 cannabis-related patents—more than in the previous seven years combined. These filings cover a range of inventions, including medical treatments and pharmaceutical compositions, cultivation techniques, vaporizers, and cannabis-infused products like toothpaste, coffee beans, and alcoholic drinks. With this uptick in patent filings, the volume of cannabis-specific prior art is on the rise as well. Those interested in obtaining patent protection in the cannabis industry should not fall behind their peers nor wait until the prior art field has fully developed. Early filing is critical.

2. Cannabis is Still Illegal Under Federal Law

Despite the growing number of patent filings, it is important to recognize that processing and distributing cannabis is still illegal under the federal Controlled Substance Act. Recent scholarly articles have argued that federal courts should not entertain most cannabis patent infringement suits due to illegality. Nonetheless, some courts have allowed these cases to proceed on the merits. United Cannabis Corporation v. Pure Hemp Collective Inc. is the first trial involving a cannabis patent in federal court. Specifically, the patent in dispute relates to the extraction of pharmaceutically active components from plant materials (e.g., liquid cannabinoid formula including THC). The plaintiff filed a patent infringement suit against a competitor maker of CBD products. In April 2019, a judge ruled in favor of United Cannabis Corporation by rejecting the argument that the plaintiff's formulations are not patent eligible. Although the legal status of cannabis is not an issue in the case, it is important to remember that cannabis is not legalized at the federal level and that federal case law is still developing.

3. Design Patents can be a Valuable Component of an IP Portfolio

Design patents are a valuable form of protection in the cannabis space and are often a good alternative to utility protection. While 10 percent of patents issued overall are design patents, less than one percent of cannabis-related filings are designated as design patents. Design patents are quicker and cheaper to obtain; this may be desirable for fast-developing and/or cost-conscious companies and particularly for products having short life cycles. Design patents are particularly valuable for covering the ornamental aspects of well-known cannabis-related products, such as vaporizers, to deter wholesale copying. Business owners should consider the role design patents may play in protecting their products.

4. Trademark Filings are Similarly Increasing

Roughly 110 new cannabis-related federal trademark applications are filed each month since Congress approved the 2018 Farm Bill 11 months ago. Among other things, the Farm Bill removed “hemp” from the list of controlled substances under the Controlled Substances Act. This removal created an avenue for federal trademark registrations covering certain goods and services derived from hemp that contain no more than 0.3 percent THC. However, all other cannabis related products are currently ineligible for trademark protection due to its illegality. Namely, trademark law requires that the goods in connection with a particular trademark must be lawfully sold or transferred in commerce. To provide some flexibility given the tension between state and federal law for cannabis, trademark applicants should file applications using broad wording for the goods and services, which can allow applicants to narrow as needed to obtain a trademark registration. To register a cannabis-related trademark at the federal level, the cannabis-related business should be prepared to argue that the goods or services associated with the mark are not illegal under the Controlled Substances Act. Additionally, trademark registrations may be available in certain states for cannabis-related products and services. Although state registrations do not offer nation-wide protection, a company should consider filing for state trademark protection in conjunction with federal trademark flings. Companies should consider filing applications in states where cannabis is legalized.

5. IP Protection Strategy Beyond the United States

As of 2018, more than thirty countries have legalized cannabis, in one form or another, according to Marijuana Business Daily. The World Intellectual Property Organization notes that approximately 10,246 cannabis-related applications have been filed since 1978 under the Patent Cooperation Treaty, with 6,137 applications coming after 2008. Thus, the trends and recommendations above regarding domestic protection of cannabis are, likewise, relevant on the international stage. Likewise, companies should also consider foreign trademark filings in countries that have legalized cannabis. In particular, most foreign countries follow a first-to-file rule when it comes to trademarks. As a result, it is important to consider foreign trademark filings as early as possible.

Closing

With the drastic increase of cannabis-related patent and trademark applications, companies need to act quickly to protect their innovations in this rapidly growing industry. With cannabis-related patents, despite the uncertain legal landscape, early filings may be unexpectedly successful, given the infancy of the prior art field. With cannabis-related trademarks, companies should ensure that the goods or services associated with that trademark are not illegal under the Controlled Substances Act. Companies should also continue to monitor developments on a state-by-state and nation-by-nation basis. Given trends, it is expected that legalization will continue to expand to additional jurisdictions.

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