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Roll Another Pot Patent (For the Road)

The cannabis industry is seeking IP protection, but the law is unclear.

From the Experts

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On the surface, Erich Veitenheimer III seems like your typical Big Law partner. He's a highly qualified attorney in the Washington, D.C., office of Cooley, specializing in intellectual property. His clients include universities, international research organizations and biotechnology companies. He has a law degree from the top-ranked Georgetown University Law Center and a Ph.D. in genetics and statistics from the University of Wisconsin at Madison. He's a former patent examiner at the U.S. Patent and Trademark Office, where he worked in the biotechnology group. He even served in the U.S. Navy.

But there's one thing that sets Veitenheimer apart.

"I have some cannabis clients," he says.

Cannabis. Also known as marijuana, grass, pot and weed.

It is true that under federal law, pot possession is still illegal. The plant species cannabis is classified under the Controlled Substances Act of 1990—the federal government's drug law—as a Schedule I narcotic. That means in the eyes of the U.S. government, it has no approved medical use and has high potential for abuse.

But state law is another matter. In Colorado, Washington and Alaska, the use of marijuana for recreational and medical purposes is now legal. Later this year it will also be legal in Oregon. And in at least 19 other states, the use of marijuana for medical purposes is now allowed.



Erich Veitenheimer III



Photo by Wiros, via Flickr

Suddenly, plant growers, breeders and individuals who have for decades marketed and sold pot and cannabis-based products in the shadows are able to establish legitimate businesses. And even big companies are showing an interest in the burgeoning industry.

Attorneys and academics are paying attention as well. The commercialization of cannabis has prompted law professors and practicing attorneys to establish blogs focusing on marijuana law and policy. Law schools are offering classes in marijuana law. And law firms of all sizes are increasingly looking at cannabis law as a practice area that could provide new business opportunities.

"Marijuana is a new industry," says Veitenheimer. "And like any startup, companies involved with marijuana products need lawyers."

This is especially true in the area of intellectual property law, a field many already consider arcane. The IP issues surrounding marijuana are particularly complex—even unique. "Never before have we seen a situation in which something is illegal on a federal level but not illegal in specific states," says Douglas Sorocco, a partner at the IP firm Dunlop Codding in Oklahoma City, who is advising clients on cannabis issues. "It's like the Wild West."

Take trademark law. In 2010, the PTO considered granting registrations for trademarks for use with medical marijuana, and even went so far as to create a new classification for "processed plant matter for medicinal purposes, namely medical marijuana." But two

months later, it removed the category, saying it was a mistake. It has refused to register any marijuana-related marks since then.

Why? Under the Lanham Act, the statute governing trademark registration in the U.S., the PTO is prohibited from registering trademarks on "immoral or scandalous" material. In addition, a trademark is enforceable only when it is being lawfully used in commerce.

"As long as the federal government says there is no legal commerce for cannabis, the PTO will deny trademark registrations to marijuana growers, distributors and retailers," says Jeremy Hanika, a founding partner of Hanika & Marshall, an IP firm in San Francisco that specializes in protecting the rights of breeders and inventors of cannabis technologies. The URL for his firm's website is patentcannabis.com.

Hanika and his partner, Tony Marshall, founded their firm last year in the wake of cannabis legalization. They saw that growers and sellers were being fed a lot of misinformation and did not have access to good legal advice. Most of the IP attorneys in California were focused on Silicon Valley-based technologies, not on the IP issues surrounding marijuana, Hanika says.

Lawyers in Washington also noted the absence of good legal advice for the nascent marijuana industry. In Seattle, the law firm Harris Moure, best known for its expertise in international and Chinese law, started a practice group dedicated to legal issues surrounding cannabis.

"The firm is always looking for niche industries, and when cannabis came up, we saw an underserved industry," says Robert McVay, a member of the firm's pot practice, which is called The Canna Law Group and has its own website and blog.

McVay, Hanika and other cannabis counsel say that the lack of federal trademark protection creates problems for the pot industry. Efforts are made—sometimes successfully—to obtain federal trademark registrations for nonmarijuana products that are sold alongside marijuana products—a candy bar, for example, that has one version that contains marijuana and another that does not.

"People are trying to trademark items that are close to marijuana without violating the Lanham Act," says David Welch, who set up a practice in Los Angeles that caters to the medical marijuana industry.

McVay says this "circling the wagons" approach doesn't always work. As an alternative, marijuana businesses seek out trademark rights on the state level, either through common law or state registration. But protection is limited, especially when it comes to licensing agreements.

A cannabis cookie company based in Washington, for example, might have a registered mark in its home state. But it won't have any legal rights or protections in Colorado. It can't register its mark in Colorado because it doesn't meet the residency requirement. So licensing those cannabis cookies to a company in Colorado or any other state where marijuana products are permitted would be risky. The company's rights would be unprotected if something went wrong.

"In that sort of scenario, a lawsuit in federal court would be thrown out because there is no federal trademark to enforce," McVay says.

This requires lawyers to come up with complicated alternative arrangements involving licensing of trade secrets and contracts. "It's a frustrating atmosphere," McVay says. "Federal trademarks would offer more protection."

But the ban on federal trademarks for marijuana products is likely to remain in effect, lawyers say.

Patent law, however, is different. There is nothing in the Patent Act, the statute governing U.S. patent law, that prohibits the issuing of a patent on a marijuana plant, process or product. The patent requirements for cannabis-related inventions are no different from any other.

"The invention has to be new, useful and nonobvious," Hanika says.

In fact, the U.S. government, through the National Institutes of Health, owns a patent on the use of extracts of a cannabis plant to treat specific diseases. Dunlop Codding's Sorocco says the patent has been licensed to specific companies that are using it to produce pharmaceuticals that address pain management and epilepsy, products that could become available soon.

The PTO has issued other cannabis-related patents, Veitenheimer says, and hundreds of cannabis-related applications are pending. He has filed a patent application on behalf of a client for the "breeding, production, processing and use of specialty cannabis."

Some pending applications are for plant patents; others for utility patents. Some come from the U.S.; others from overseas. Some applications are filed on behalf of small enterprises; others for bigger companies. One of the most active seekers of patents for cannabis plants, extracts or formulations is the U.K.-based pharmaceutical company GW Pharma Ltd. The company already holds a U.S. patent on compounds found in marijuana that can be used to treat patients suffering from a certain form of cancer.

Lawyers say other pharmaceutical companies have shown an interest in the marijuana market's potential. So have tobacco companies, which already have the infrastructure needed to grow marijuana plants. In January, Peter Thiel, a co-founder of PayPal and one of the early investors in Facebook, Lyft and Spotify, announced that his venture capital fund has made a multimillion-dollar investment in Privateer Holdings, a private equity firm investing exclusively in the legal cannabis market.

But most big companies will remain leery of the marijuana market for some time, says Douglas Berman, a professor at Ohio State University's Moritz College of Law who was the first to teach a class on marijuana law and who also edits a blog aptly named "Marijuana Law, Policy and Reform."

A handful of other law school professors are now teaching classes on marijuana law as well.

Berman says if big, established companies are interested in the marijuana market, they are not likely to let on just yet. The same is true for Big Law. While Cooley's Veitenheimer is open about his involvement, most are not so candid about their pot practice, if they have one.

For law firms, some of the wariness comes from concern about ethics violations and uncertainty about the legality of receiving payment for work related to an illegal substance. For big companies, questions remain about the industry's future. Much of the increased activity surrounding cannabis in recent years occurred because the U.S. Department of Justice issued a memo in 2013 indicating that it would tolerate some state-level legalization of both recreational and medical marijuana, as long as it did not interfere with federal policies. But what will happen under a different administration?

"No one is really sure of the law yet," says Berman.

So smaller companies are still doing the heavy lifting. Some have been growing weed for decades, part of a culture of pot that has existed since the 1960s, lawyers say. Others are newer to the industry, often people who are well educated and had other careers.

Ben Holmes, for example, used to work in the

financial industry. He had a career with Merrill Lynch. He was a securities analyst, did fixed-income sales and worked in banking technology.

But he always had an interest in botany. Today, Holmes has a seed-breeding lab and owns a company in Colorado, Centennial Seeds, that is dedicated to developing and producing high-quality cannabis seed. He plans to apply for a patent on a marijuana plant seed variety soon.

Why develop and patent seed varieties for a plant that is self-replicating? After all, most pot growers work from cuttings. Holmes explains that by continually using cuttings, the plant's life cycle diminishes over time. It's therefore important to develop seed, he says.

But the process of getting a patent takes time. The PTO does issue patents on plant varieties. To qualify, a breeder has to show that the plant variety can be reproduced from seed parents and will breed true for certain characteristics. Some say the agency has been slow to issue plant patents for cannabis varieties. "But there's no question that newly derived cannabis plants would qualify as patentable subject matter," Veitenheimer says.

Holmes feels strongly that patenting his seed is important not just to prevent theft but also to facilitate licensing. Without patent protection, he says, growers have to depend on a system based on trust.

"I've turned down potential licensees because I didn't trust them," he says. "Without federal protection, there's nothing you can do if a licensee decides to abuse the agreement and take away your market."

Patents will also protect smaller breeders and producers of marijuana products when a Big Cannabis industry develops, Holmes says. With patents, the little guy won't have to worry about getting shut out of the industry. They also won't have to worry about theft of their intellectual property.

"The big companies won't need to steal, because they'll buy up the little ones," Holmes says, demonstrating his experience in the financial sector. "Consolidation is the natural order of things."

The industry's old-timers who used to secretly grow pot plants in basements and attics would disapprove of this kind of talk, he says. They don't want the pot industry to become another big business. Many also don't believe marijuana seeds, plants or products should be patented.

"They say marijuana is 'pure' and 'for the people,' and they bash you on social media and call you 'Monsanto' if you start talking about patents," Holmes says. "But that will change as the industry matures. There was a time not long ago when I didn't know anything about intellectual property."