Podcast Transcript

Patenting All Things Cannabis, A Primer

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Kattman: Cannabis sales in America are an economic force with legal reported sales exceeding $10 billion in 2019. Eleven states allow legal recreational use, such as alcohol for those over 21, and legal for medical use is allowed in an additional 23 states. Federal laws continue to identify cannabis as a Schedule I substance. However, federal intellectual property law does not follow that prohibition. I'm Amy Kattman and you're listening to BakerHosts. On today's episode, we'll be speaking with Mark Krietzman, a partner in BakerHostetler's Intellectual Property Practice Group and member of the Biotechnology, Chemical, and Pharmaceutical team. Welcome to the show Mark.

Krietzman: Hi, Amy. Nice to be here.

Kattman: Mark, would you explain, how is hemp and CBD different than marijuana and THC?

Krietzman: Well, sure, that would be my pleasure to educate you on same. Here's the thing, cannabis is a plant. It has several subspecies, one of them is Indica, another is Sativa, and the other is Ruderalis. So, when you talk about THC or CBD, what you're really talking about is the percentage of one cannabinoid THC in the plant. So, you could have any one of the three strains of cannabis and there's an artificial distinction between whether it's Hemp derived CBD, which is basically legal now under the Farm Act, so it can cross state lines, or it's marijuana, which is a state-by-state question on legality. So, it's an artificial distinction between

CBD, marijuana, and cannabis, because it's all cannabis. It's just the percentage of Delta-9-THC that distinguishes it. Is that helpful at all?

Kattman: Absolutely. Now, the U.S. Trademark Office prohibits trademarks for marijuana brands, right?

Krietzman: That's a great question, Amy. It's sort of evolved over time. Initially what was happening at the U.S. Patent and Trademark Office is trademark examiners would get an application for a mark. Let's say a brand that's called Amy's Rocky Road, for example, and if the description was that Amy's Rocky Road was brownies infused with marijuana, they would immediately send a letter out and tell Amy, sorry, Amy, that's illegal and we're going to suspend your trademark application. And then a lot of the Amys of the world would just give up then and they'd actually lose what could be rights to their brand. In the early days, what people would do then, at least the people that I counseled, is we would use the state approach, and if a federal trademark wasn't being allowed and they got the prohibition letter, we would then have the client apply for a state based trademark on the brand. So, Amy's Rocky Road for the state Amy's in and she could get a state trademark in most cases if she's actually selling her product. And that was a back door so that one could start to establish priority for rights when the federal law changed. So, while that was happening - and this is kind of interesting - the federal laws during the Obama administration really relaxed on trademarks for cannabis and it was an examiner specific situation on whether you would get an actual trademark letter saying, oh, illegal, you can't have it. And the funny thing is I remember applying for a brand with one of the partners and that partner who applied for the goods for a cannabis-infused oil got the letter saying, no, you can't have this it's illegal. The other partner applied for the same mark, the same trademark, call it Zeus, I'm just making that name up. So, Zeus got rejected on one partner but on the other partner, because we applied for both, same day but with a little time gap, and Zeus for the second partner made it through because that examiner didn't feel that the prohibition applied. And that's the inconsistencies that you would see. You'd go, oh, my god, how can you possibly stop one and allow the other. As this has evolved over the last few years, even during the Trump administration, we've seen a continued move towards allowing most cannabis related trademarks, especially if you throw CBD in the mix. So, for a very conservative client, they just want their rights for CBD, they have no intention of doing other cannabinoids in edibles or smokables or anything else in the future, we would specify in the trademark now CBD, CBD, CBD, and because of that artificial distinction we can push the trademark through. But the smart brands, the ones who are thought leaders, what they do if one piece of their branding technology or platform is CBD, they will apply for a U.S. trademark for the CBD, let's say it's for Chronic Kitty. So, that's a new brand I just made up. So, Chronic Kitty gets the trademark through for CBD because the trademark office cannot send the prohibition letter on CBD because of the Farm Act which made CBD, which is the artificial distinction between cannabis with high Delta-9-THC and cannabis without almost no Delta-9-THC. They can no longer use the fact that there is some small amount of Delta-9 to send that letter that only a small percentage of examiners were sending anyway anymore. And what you get is you've now established a baseline that I now own Chronic Kitty for a cannabinoid

which is CBD. As federal laws evolve over the next three to five years, I think sooner but who knows, then you can bring in your branding for Delta-9, Delta-8, CBA, THC, all the different cannabinoids for different products that are not just CBD, you'll be able to do follow-on applications and build a family with that priority assuming the laws continue evolve. And if they don't continue to evolve at least you've got the original mark for your CBD.

Kattman: Yeah, that seems to be the smarter approach.

Krietzman: I mean, it's a good approach because it's a belt and suspenders. I mean, at the end of the day lawyers tend to be relativity risk adverse so you want to try to give your clients, who are operating in sort of an area where federal law conflicts in some cases with state law, you want to give them good, better, and best alternatives because establishing or building a brand, whether it be for a pair of shoes, cosmetics, jeans, or cannabis is expensive. Tremendous amount of money spent on customer acquisition and branding, and you want to give them high probability of success strategies and for clients who are a little bit less risk adverse you let them know what the spectrum is where are able to possibly get them early rights on things that may not always go through.

Kattman: Doesn't federal law classify marijuana as a Schedule I substance that is illegal, Mark?

Krietzman: Amy, you scamp, you've been reading up on the laws. You're going to test me, aren't you?

Kattman: Of course.

Krietzman: So, cannabis varieties, which are bred to have more than .3% Delta-9-THC are considered marijuana and still are considered a Schedule I substance. There's a lot of controversy whether things like Delta-8 THC, which is another derivative out of cannabis, or whether any number of the 200+ cannabinoids fit that requirement. So, the gray area of the law right now, and it's being battled out, is what happens if you get your CBD from hemp and then you synthesize Delta-8 or Delta-9 at a higher level from that hemp derived CBD. So, there's always somebody pushing the law and trying to find a way to skirt it. But the safe bet, if you're risk adverse and you want to fall squarely within the legal area of the law, which is the safest way to operate your business, you would be working with CBD, meaning it was derived from hemp, meaning it's a cannabis plant that has less than .3% Delta-9-THC.

Kattman: Okay, so aren't patents for marijuana prohibited?

Krietzman: Great question, Amy, and you would think they were, wouldn't you? Because if it's an illegal substance and a Schedule I, how in the world would they let you patent something illegally? But this is another place where even the federal laws are opposite of each other. While it's a Schedule I substance and it has severe consequences if you are perceived to use or track in such substances, it turns

out that one of the earliest cannabinoid patents, patent number 6,630,507, guess who owns that patent?

Kattman: Who?

Krietzman: Well, that patent for cannabinoids as antioxidant and neural protectants is owned by the United States of America. So, you've got to love that, and that patent being a 6 million patent is 20+ years old. So, no, it's not prohibited to get patent rights in Schedule I substances. In fact, Canopy Holdings, one of the larger publicly traded cannabis related companies, has a fairly recent patent, 10,239,808 - you could look that one up too; these are all public domain patents so I am very comfortable giving out the numbers - is for cannabis extracts, which is a really up and coming area, technology space for cannabis where I think a lot of rights are going to be acquired over the next few years.

Kattman: Mark, as a final question for you: with competing state and federal laws on cannabis, hemp, and marijuana, what are fundamental or basic strategic maneuvers that one can use in the ecosystem?

Krietzman: Thanks, Amy, that's a great question. It really gets to the heart of the issue here. We've got federal laws and state laws, which in some cases are competing. It's not a new thing to have federal laws and state laws that are competing with each other. But when you add cannabis to the mix it makes it, shall I say, more interesting. So, fundamentally I want you to understand I'm not advocating that anybody or any business do anything illegal or do something violative of our federal laws. What I am saying is that in the intellectual property space, unlike some aspects of business, what I see is thought leaders in the industry, as well as venture backed, well-funded companies who are building brands in this ecosystem, are moving forward at an accelerated pace to protect their trademarks and patentable subject matter for cannabis. And they're not limiting it to CBD, which again, is that artificial distinction of cannabis plants with less than .3% Delta-9-THC, they're doing it across the spectrum. And they're in good company. As I said, they're in the company of the U.S. government and they're in the company of Canopy Holdings, for example, who each own patents in the space that is not CBD. But with that said, of course, it's really based on a business or a person's risk tolerance level on what area they want to exploit their business in. But in terms of having intellectual property, trademarks or patents, you can own a patent that deals with a Schedule I substance and you're not violating a law because you have a patent to it. How you use it, exploit it, market it or sell it, you've got to talk to our attorneys on whether that's legal in your state or legal under the federal system and then decide if you're comfortable with that. So, with that caveat, I'll answer your question. Fair enough?

Kattman: Fair enough.

Krietzman: Okay, I'm sorry to be so long-winded that but I don't want the people to get the misimpression that we're advocating something that they're uncomfortable with or that the federal law is uncertain on, because it is uncertain, and this is how businesses are built and everyone has their own risk tolerance level. To me,

what I see happening right now in the cannabis ecosystem is that there's a huge push for everything CBD. People are putting CBD on band-aids, they're putting it cosmetics, they're putting it on wound care, they're putting it in beverages, and that ship may have sailed already but there may be some other uses as adjuvants or combinatorial therapies for different disease states that people are working on. And all of those should be eligible for patent protection. If you get away from CBD and you move into the other cannabinoids and the other terpenes, and there are hundreds of them in cannabis, and you think about how we can use those combined with vitamins or supplements or other nutraceuticals or pharmaceuticals, it just opens the door for just an advancement in therapies, in treatments, in supplements, like we haven't seen in 50 years. And I think that a company who has invested money, either of the founders or that they've raised should be protecting that investment with intellectual property rights wherever they're obtainable. And this also goes to the accessories around the actual cannabis, storage containers, devices to deliver the cannabis, track and trace cartridges, there are so many different things for compliance in the cannabis space, again, track and trace and for delivery, vaporization versus combustion, and anyone who's heard the news about the vape crisis knows that there's a problem with extract oils who are being vaped and there will be new technologies for delivery systems that hopefully ameliorate those risks and dangers. There's going to be a whole bunch of technology developing in single dose, single use cannabis-infused, either edibles or vaporizable substances, because that's where the marketplace is going where eventually, if the laws relax, or if you just focus on CBD, you'll be able to purchase those things at a variety of outlets. So, I think it's the, I think we're really at the beginning of a gold rush in technology for the cannabis space and intellectual property rights are really a very, very small expense to protect something that has such immense value for business.

Kattman: Thank you, Mark. If you have any questions for Mark, his contact information is in the show notes. As always, thanks for listening to BakerHosts. Comments heard on BakerHosts are for informational purposes and should not be construed as legal advice regarding any specific facts or circumstances. Listeners should not act upon the information provided on BakerHosts without first consulting with a lawyer directly. The opinions expressed on BakerHosts are those of the participants appearing on the program and do not necessarily reflect those of the firm. For more information about our practices and experience please visit bakerlaw.com.