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Patent Opportunities Growing for Cannabis Businesses

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Cannabis and cannabis-adjacent businesses may be able to take advantage of patent protection opportunities for their products.

WHAT IS THE IMPACT?

- Despite the Schedule I classification of cannabis, there are avenues to acquire patents for cannabis and cannabis-related products;
- Patent protection can help companies maintain a competitive advantage as momentum toward legalization swells and barriers to entry decrease.

A GROWING INDUSTRY

In the year 1996, California became the first state to legalize marijuana for medical use. Recreational legalization of cannabis in the United States began in 2012, with Colorado and Washington paving the way for other states. Recently, as of July 2021, 18 states, the District of Columbia, the Northern Mariana Islands and Guam had legalized recreational use of cannabis. In addition, all of these jurisdictions, with the exception of the District of Columbia, allow for its commercial sale. Cannabis is legal for medical purposes in 37 states, and others have decriminalized its use. Cannabis is now a multibillion-dollar industry, with annual sales expected to reach $30 billion by 2025.

CANNABIS STILL FEDERALLY ILLEGAL

Cannabis, however, is still classified as a Schedule I drug under the Controlled Substances Act ("CSA"). Accordingly, cannabis may be "legal" in the view of many states, but it remains illegal under federal law. This poses significant challenges to those operating in the cannabis industry, including how they can protect their innovations.

While information is readily available regarding the impact this tension has when it comes to certain aspects of the cannabis industry, such as banking and shopping, there is comparatively little information available with respect to intellectual property and the industry. In a growing and innovative industry, patent protection is often paramount. While cannabis may be "legal" at the state level in many jurisdictions, patent protection is offered only at the federal level. This may seem like a tension that precludes the possibility of patent protection for

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cannabis-centric and cannabis-related inventions, but those in the cannabis industry *can* acquire patents for their innovations.

PATENTS

A patent is an intellectual property right granted by the government for a limited period of time in exchange for publishing a full description of the protected invention. The intellectual property right granted by the government, however, is not a license to make, use or sell the patented invention. Rather, it is the right to exclude others from making, using and selling the patented invention. For this reason, whether cannabis is illegal at the federal level does not affect the patentability of cannabis-centric and cannabis-related inventions. That is, the federal government is happy to grant you the right to exclude others from doing something that is illegal under federal law.

To be eligible for patent protection, an invention must satisfy Sections 101, 102 and 103 of Title 35 of the U.S. Code. When an applicant files a patent application, the U.S. Patent and Trademark Office ("USPTO") evaluates the application based on these criteria.

Sections 102 and 103 require that an invention be novel and nonobvious, respectively, for a patent application to be allowed. Sections 102 and 103 are evaluated in terms of previously published material (i.e., existing patents, patent applications and – to a lesser extent – non-patent literature).

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Section 101, by contrast, provides a broad description of patent-eligible subject matter and states in relevant part that "[w]hoever invents or discovers any new and useful process, machine, manufacture or composition of matter, or any new and useful improvement thereof, may obtain a patent therefor."

CANNABIS AND PATENT LAW

As noted above, however, cannabis is classified by the CSA as a Schedule I drug. Although inventions do not run afoul of Section 101 when they relate to otherwise-illegal subject matter, the classification of cannabis as an illegal drug pursuant to the CSA has long discouraged cannabis research and the pursuit of patent protection for cannabis-centric and cannabis-related innovations. As a result, there is relatively little prior art in the cannabis space when compared to industries without this CSA distinction.

In practice, this prior art scarcity means that broad cannabis-centric and cannabis-related patent claims issue from certain cannabis-centric and cannabis-related patent applications because little, if any, relevant published prior art exists to block allowance of these claims. These broad claims, whether truly novel and nonobvious, can then be asserted against competitors. The cannabis industry has already seen at least one patent infringement lawsuit over cannabis extracts in which the novelty and nonobviousness of the claims have been called into question.

However, while this dearth of prior art may benefit those seeking cannabis-centric patents, it is worth appreciating that the cannabis industry encompasses far more than just the marijuana plant itself. The industry, like other industries, is constantly making innovations in chemical compositions, manufacturing and processing techniques, delivery systems, commercial devices, air-tight and child-safe packaging, and esthetically pleasing displays for dispensaries.

Patent protection is regularly pursued for these cannabis-related innovations as well. Unlike cannabis-centric inventions, cannabis-related patent applications concern more than just cannabis itself, and the world of related prior art (i.e., previously published material) is often greater for cannabis-related inventions than that for cannabis-centric inventions.

Accordingly, cannabis-related inventions are more likely to face the normal challenges for demonstrating the novelty and nonobviousness of the invention. It should also be noted that, in addition to the cannabis extract lawsuit mentioned above, patent infringement actions have been brought over cannabis-related patents covering, for example, cannabis packaging and cannabis-processing machinery.

CONCLUSION

Patent protection can be important for a range of business reasons. For example, patent protection may be necessary to maintain a competitive

advantage in the marketplace, help attract investors or be used to facilitate the collection of revenues on licensed patented products.

Accordingly, not only are patents used to secure a competitive advantage; they can also be leveraged and monetized to make businesses, including those in the cannabis space, more profitable. As the hurdles to cannabis-related patents appear to be no different from those in other fields, it would be wise for those in the cannabis industry to consider what role patents can play and what objectives patents can help businesses achieve.