

Ethics of High Importance

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Controlled Substances Act v. States

FEDERAL STATE

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History of Marijuana Regulation in the United States

- ▶ Marijuana was first regulated under federal law when Congress passed the Marijuana Tax Act of 1937.
 - ▶ Repealed in 1970
- ▶ State regulation prior to 1970 focused on recreational use, but permitted medical use
 - ▶ The 22 states that prohibited recreational marijuana use in the 1930s all created exceptions for medical purposes. See *Raich v. Gonzales*, 500 F.3d 850, 865 (9th Cir. 2007).
 - ▶ All 50 states made marijuana possession a crime by 1965. However, nearly all created exceptions for "persons for whom the drug had been prescribed or to whom it had been given by an authorized medical person." *Leary v. United States*, 395 U.S. 6, 16-17 (1969).

History of Marijuana Regulation in the United States

- ▶ Marijuana was not prohibited under U.S. Federal Law until Congress passed the Controlled Substances Act in 1970.
- ▶ Congress placed marijuana on Schedule 1, along side narcotics such as heroin, LSD and MDMA, making all of its uses, including medicinal, illegal.

THE CONTROLLED SUBSTANCES ACT OF 1970

- ▶ “It shall be unlawful for any person knowingly or intentionally...to manufacture, distribute, or dispense, or possess with the intent to manufacture, distribute, or dispense, a controlled substance”
► 21 USCS § 841(a)(1)
- ▶ “It shall be unlawful for any person knowingly or intentionally to possess a controlled substance unless such substance was obtained directly, or pursuant to a valid prescription or order, from a practitioner, while acting in the course of his professional practice...”
► 21 U.S.C. § 844(a)

PENALTIES UNDER THE CSA

- ▶ Possession of marijuana is punishable by up to one year in jail and a minimum fine of \$1,000 for a first conviction.
- ▶ Manufacture or distribution of less than 50 plants or 50 kilograms of marijuana is punishable by up to 5 years in prison and a fine of up to \$250,000.
► 21 U.S.C. § 841(b)(1)(D))
- ▶ For 50-99 plants, or 50-99 kilograms, the penalty increases to not more than 20 years in prison and a fine of up to \$1,000,000 for an individual, or \$5,000,000 if other than an individual, for the first offense
► 21 U.S.C. § 841(b)(1)(C))

PENALTIES UNDER THE CSA

- ▶ For 100-999 plants or 100-999 kilograms of marijuana the penalty increases to not less than 5 years and not more than 40 years in prison and a fine of up to \$5,000,000 for an individual, or \$25,000,000 if other than an individual, for the first offense.
▶ 21 U.S.C. § 841(b)(1)(B))
- ▶ For 1000 plants, or 1000 kilograms, the penalty increases to not less than 10 years and not more than life in prison and a fine of up to \$10,000,000 for an individual, or \$50,000,000 if other than an individual, for the first offense
▶ 21 U.S.C. § 841(b)(1)(A))

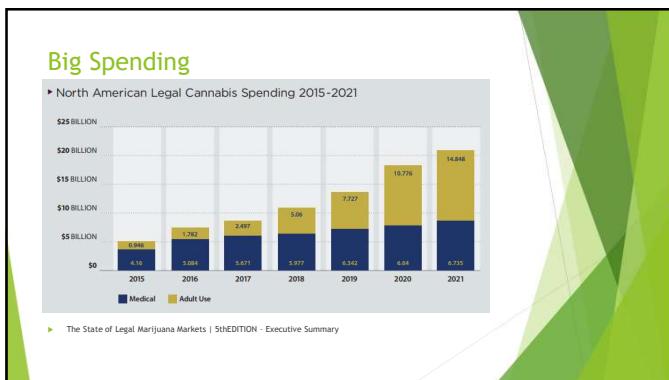
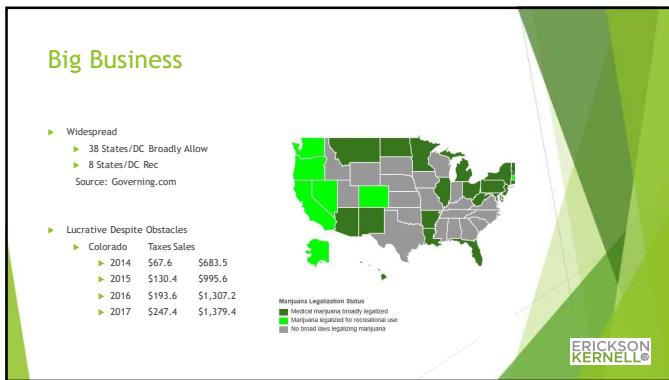
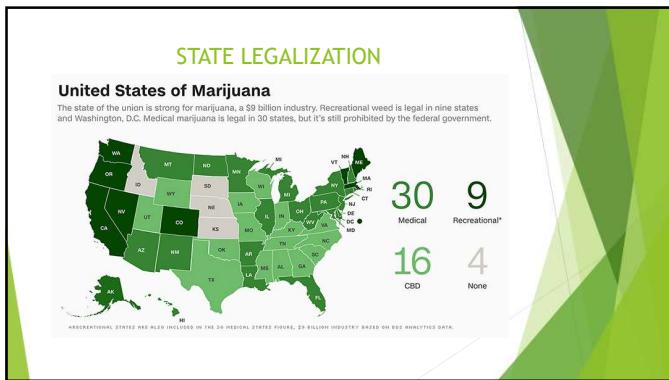
New Administration and Potential Changes in Enforcement

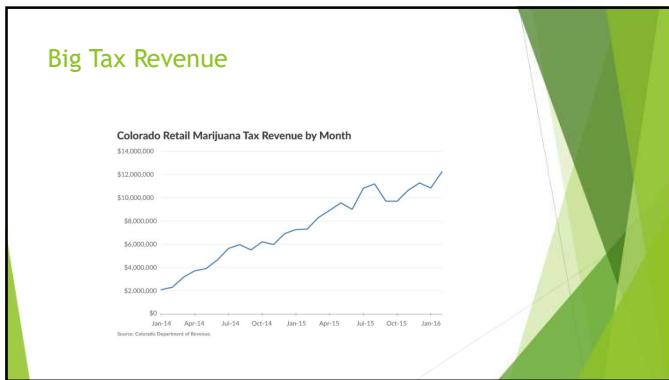
- ▶ Attorney General Jeff Sessions announced in January, 2018 that he is withdrawing the federal guidelines that effectively limited prosecutions of businesses and individuals who sold pot in a legal manner under state law, even though the drug remains illegal under federal law.
- ▶ There is currently no clear picture as to how this policy change will effect federal prosecution of individuals involved in either the recreational or medical marijuana industries.
▶ www.politico.com/story/2018/01/04/jeff-sessions-marijuana-policy-us-attorney-enforcement-324020

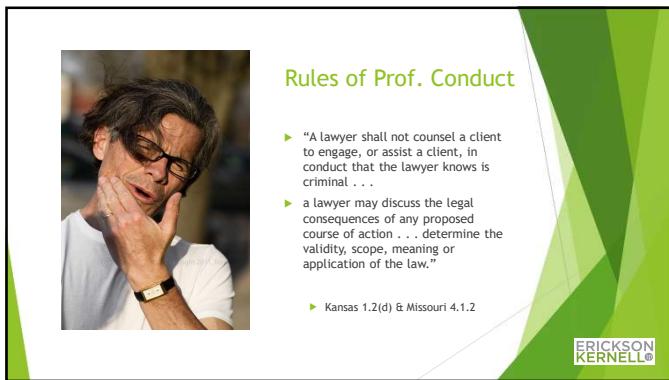
STATE LEGALIZATION

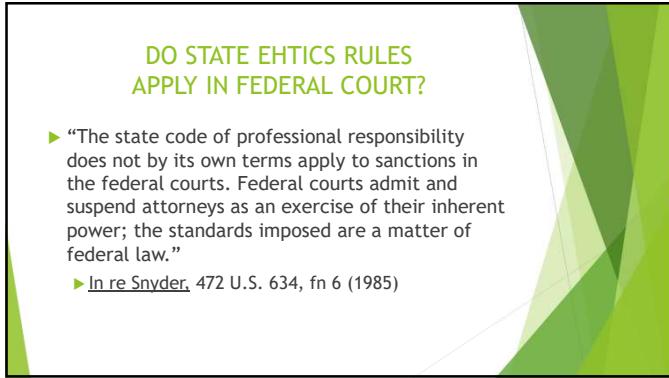
- ▶ Despite the federal ban, the medical use of cannabis is legal (with a doctor's recommendation) in 29 states, the District of Columbia, and the territories of Guam and Puerto Rico.











Colorado Approach (Arkansas Considering)

- ▶ Comment to 1.2:
- ▶ A lawyer may counsel a client regarding the validity, scope, and meaning of Colorado marijuana laws and assist a client in conduct that the lawyer reasonably believes is permitted in CO.
- ▶ Also advise the client regarding related federal law and policy.
- ▶ Fed. Ct. refused to adapt

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Colorado

Colorado Bar Association Ethics Committee, Formal Opinion 124 (2012)

- ▶ A lawyer's personal use of marijuana under Colorado's Medical Marijuana Code does not, in and of itself, violate the Colorado Rules of Professional Conduct.
- ▶ "Rather, to violate Colo. RPC 8.4(b), there must be additional evidence that the lawyer's conduct adversely implicates the lawyer's honesty, trustworthiness, or fitness as a lawyer in other respects."
- ▶ The Colorado Bar Association expressly declined to address whether a lawyer violates the rules by counselling or assisting clients "in legal matters related to the cultivation, possession, use, or sale of medical marijuana under Colorado law."

Colorado

Colorado Supreme Court Rule Change to Rule 1.2
(Amended and Adopted on March 24, 2014)

- ▶ "A lawyer may counsel a client regarding the validity, scope, and meaning of Colorado constitution article XVIII, secs. 14 & 16, and may assist a client in conduct that the lawyer reasonably believes is permitted by these constitutional provisions and the statutes, regulations, orders, and other state or local provisions implementing them. In these circumstances, the lawyer shall also advise the client regarding related federal law and policy."

Know State Law & Avoid Malpractice

- ▶ License agreements, leases & other contracts void or voidable.
- ▶ \$500k loan agreement w/ marijuana dispensary unenforceable.
- ▶ Hammer v. Today's Health Care II (Ariz. Sup. Ct. Apr. 17, 2012)
- ▶ Colorado statute: contract not void or voidable if relates to state marijuana regs.

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Trademarks

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Illegality Doctrine



- ▶ Immoral or scandalous per 15 U.S.C. §1052(a)
- ▶ TMEP § 907: use in commerce & use must be **lawful**
 - ▶ Swear interstate?
 - ▶ Don't collect \$200 . . .
- ▶ Rejects registrations from growers, producers & sellers & paraphernalia
- ▶ *In re JJ206, LLC* (TTAB 2016) (refusing "POWERED BY JUJU" & "JUJU JOINTS")

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Trademark - Lawful Use in Commerce

- To qualify for federal trademark/service mark registration, the use of a mark in commerce must be lawful.
 - In re Brown*, 119 USPQ2d 1350 (TTAB 2016); *In re JJ206, LLC*, Serial Nos. 86474701 & 86236122 (TTAB October 2016); *See Gray v. Daffy Dan's Bargaintown*, 823 F.2d 522, 526, 3 USPQ2d 1306, 1308 (Fed. Cir. 1987) (stating that "[a] valid application cannot be filed at all for registration of a mark without 'lawful use in commerce'"); TMEP §907; see *In re Stellar Int'l, Inc.*, 159 USPQ2d, 50-51 (TTAB 1968); *CreAgri, Inc., v. USAUSA Health Scis., Inc.*, 474 F.3d 626, 630, 81 USPQ2d 1592, 1595 (9th Cir. 2007). Thus, any goods or services to which the mark is applied must comply with all applicable federal laws. See *In re Midwest Tennis & Track Co.*, 29 USPQ2d 1386, 1386 n.2 (TTAB 1993) (noting that "[i]t is settled that the Trademark Act's requirement of "use in commerce," means a "lawful use in commerce," and [that the sale or] the shipment of goods in violation of [a] federal statute . . . may not be recognized as the basis for establishing trademark rights" (quoting *Clorox Co. v. Armour-Dial, Inc.*, 214 USPQ 850, 851 (TTAB 1982))); *In re Pepcom Indus., Inc.*, 192 USPQ 400, 401 (TTAB 1976); TMEP §907.

Trademark - Lawful Use in Commerce

- The Controlled Substances Act (CSA) prohibits, among other things, manufacturing, distributing, dispensing, or possessing certain controlled substances, including marijuana and marijuana-based preparations. 21 U.S.C. §8812, 841(a)(1), 844(a); see also 21 U.S.C. §802(16) (defining "marijuana").
- In addition, the CSA makes it unlawful to sell, offer for sale, or use any facility of interstate commerce to transport drug paraphernalia, i.e., "any equipment, product, or material of any kind which is primarily intended or designed for use in manufacturing, compounding, converting, concealing, producing, processing, preparing, injecting, ingesting, inhaling, or otherwise introducing into the human body a controlled substance, possession of which is unlawful under [the CSA]." 21 U.S.C. §863.

Lawful Uses

- "Marijuana" not prohibited
 - Referencing "marijuana" on lawful products registered
- Table from INTA Bulletin, 8/1/2015

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Trademark - Lawful Use in Commerce

- ▶ Marijuana business owners can still get trademark protection for its products...so long as they are not related to the production and dissemination of marijuana.
- ▶ Common law trademark protection
 - ▶ Drawbacks due to limited protection
- ▶ State trademark registration
 - ▶ Only valid in the state within which the mark is registered
 - ▶ Added expense for limited protection
- ▶ "Zone of Natural Expansion" future planning for when trademarking cannabis at the Federal level becomes legal
 - ▶ Obtain federal registration for both related and unrelated goods.

Common Law Trademarks

- ▶ Trademark rights which are developed through use in a particular area
- ▶ Limited to the geographic area in which the mark is used
 - ▶ Use only in the Kansas City Metro area will make enforcement outside of that area problematic at best.
- ▶ Can prevent the use of a federally registered mark within the geographic area of Common Law use
 - ▶ Limits the expansion of the common law mark
- ▶ Searches / Notice
 - ▶ May not show up on trademark searches, so providing notice to others of the mark may be limited

State Registered Trademarks

- ▶ State trademark registrations have issued marks for cannabis flowers and related products, cannabis-infused products, pre-rolled marijuana cigarettes, pharmaceuticals in the nature of marijuana and marijuana products, sustained release cannabis products, edible cannabis products, marijuana plants, and retail and medical marijuana products. Oregon's registry is particularly popular with applicants obtaining marijuana marks.
- ▶ States that have legalized recreational use:
 - ▶ Alaska, Washington, Oregon, California, Nevada, Colorado, Massachusetts, Maine
- ▶ States that currently have laws broadly legalizing marijuana in some form:
 - ▶ All of the above, plus Montana, North Dakota, Minnesota, Michigan, Illinois, Arkansas, Louisiana, New Mexico, Arizona, Florida, Ohio, West Virginia, Maryland, New Jersey, Delaware, Rhode Island, Pennsylvania, New York, Vermont, New Hampshire, Connecticut, and Hawaii.

State Registered Trademarks

- ▶ Nevada has specific guidelines for marketing and branding of marijuana products and services which limit the appeal to minors.
- ▶ Colorado, Oregon, Washington
 - ▶ Allow for the registration of cannabis-related marks for goods and/or services.
- ▶ California (new to the game; Cannabis trademarks just became available January 1, 2018). Requirements:
 - ▶ The mark be lawfully in use in commerce within California
 - ▶ The mark match the classification of goods and services adopted by the USPTO
 - ▶ California's requirements may make it useful to adopt a similar strategy that might be adopted for federal registration.
- ▶ Massachusetts
 - ▶ It appears cannabis related marks will be accepted but legislation has yet to emerge.

State Alternatives

- ▶ State Registration
 - ▶ The mark is lawfully in use in commerce within the state
 - ▶ Licensed!
- ▶ State Statute & Common Law
- ▶ State Ct. - Stay out of Fed. Ct

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State Registered Trademarks Advantages vs. Disadvantages

- ▶ Advantages:
 - ▶ State registrations are:
 - ▶ relatively easy to obtain,
 - ▶ do afford the registrant certain benefits under state law, because they are a matter of public record they provide an effective notice to any junior user looking to use the same or similar mark on either a local or national stage.
- ▶ Disadvantages:
 - ▶ State trademark registrations don't offer national protection.
 - ▶ They don't afford a registrant a presumption of ownership and validity of the underlying mark on the national level
 - ▶ Expensive to register and maintain in multiple states

Marijuana Trademark “Strategery”

Strategies for obtaining Trademark Protection:

- ▶ 1. Use “cannabis” as a descriptive term over “marijuana”
 - ▶ Preferred by the US Trademark Office and the industry itself
- ▶ 2. Seek trademark protection on ancillary goods
 - ▶ Shirts, hats, jackets
 - ▶ Non-cannabis related glassware/pottery, rolling papers, etc.
 - ▶ Non-cannabis infused food/edibles
 - ▶ Non-cannabis related vaporizers, herbs and oils
- ▶ 3. Offer or expect to use the following disclaimer with your application:
 - ▶ “none of the foregoing containing cannabis or for use with cannabis”

Trademark Laundering



- ▶ Apply for legal goods such as T-shirts & consulting services. Use the mark on marijuana-related goods as well.
- ▶ Chocolates
- ▶ Avoids Illegality Doctrine
- ▶ Misrepresentation to USPTO?
 - ▶ Q: Is applicant manufacturing or selling substances violating CSA?

Successful Federal Registrations

- ▶ Chong's Choice (87082424)
 - ▶ Class 005: Herbs for medicinal purposes; Medicinal herb extracts; Medicinal herbs; Medicinal herbs in dried or preserved form; Plant and herb extracts sold as components of medicated cosmetics; none of the foregoing containing cannabis
 - ▶ Class 025: Clothing
 - ▶ Class 034: cigarette papers; tobacco jars; hookah tobacco; lighters for smokers; ashtrays; tobacco tins; smoking pipes and electronic cigarettes; Oral vaporizers for smoking purposes; none of the foregoing containing cannabis or for use with cannabis.
- ▶ NOA granted on September 19, 2017



Successful Federal Registrations

- ## ► The King of Cannabis (87159533)

- ▶ Class 025: Clothing, namely, shirts and headwear
 - ▶ Class 034: Smokers' articles, namely, rolling papers and herb and tobacco grinders, none of the forgoing for use with cannabis.
 - ▶ Class 035: Retail store services featuring clothing, smokers' articles, no including cannabis, cannabis derivatives, or devices primarily intended to be used with cannabis



Successful Federal Registrations

- Crown-Cannabis.com (87118099)

- ▶ Class 025: Clothing...
 - ▶ Class 041: Educational services, namely, conducting informal on-line programs in the fields of cannabis information, and printable materials distributed therewith; Educational services, namely, providing on-line information in the field of cannabis including origins, history, genetics, and health.



Successful Federal Registrations

- ## ► US CANNABIS CUP (86164759)

- ▶ Class 016: Series of Books about hemp; posters

- Class 025: T-shirts and sweatshirts
 - Class 041: ORGANIZATION AND ARRANGEMENT OF EDUCATIONAL AND INSTRUCTIONAL SEMINARS AND CONFERENCES REGARDING LEGAL MEDICAL AND POLITICAL DEVELOPMENTS AND SOCIETAL ATTITUDES ABOUT MARIJUANA NOT INCLUDING THE PROVISION OR DISPLAY OF MARIJUANA, MARIJUANA-BASED PREPARATIONS, OR MARIJUANA EXTRACTS OR DERIVATIVES, SYNTHETIC MARIJUANA, OR OTHER SUBSTANCES CONTROLLED BY THE CONTROLLED SUBSTANCES ACT; ORGANIZATION AND ARRANGEMENT OF EXHIBITIONS FOR EDUCATIONAL AND INSTRUCTIONAL PURPOSES REGARDING LEGAL, MEDICAL, AND POLITICAL DEVELOPMENTS AND SOCIETAL ATTITUDES ABOUT MARIJUANA NOT INCLUDING THE PROVISION OR DISPLAY OF MARIJUANA, MARIJUANA-BASED PREPARATIONS, OR MARIJUANA EXTRACTS OR DERIVATIVES, SYNTHETIC MARIJUANA, OR OTHER SUBSTANCES CONTROLLED UNDER THE CONTROLLED SUBSTANCES ACT; ORGANIZATION AND ARRANGEMENT OF MUSICAL EXHIBITIONS.



CBD Derived from Cannabis - Legal in Some form in 46 States including MO

- Federal Registration has been approved for some MARKS
 - FEEL THE DIFFERENCE (87057903) - Registered November 28, 2017
 - Class 034: electronic vaporizer liquid containing CBD for use in electronic vaporizers, including, e-cigarettes, e-cigars, and personal vaporizers, namely, electronic cigarette liquid (e-liquid) comprised of flavorings in liquid form; other than essential oils, used to refill electronic cigarette cartridges, electronic cigarette liquid (e-liquid) comprised of propylene glycol, and electronic cigarette liquid (e-liquid) comprised of vegetable glycerin; all of the foregoing containing CBD
 - CBD LIQUID GOLD (87180859) - Registered August 29, 2017
 - Class 034: Glass electronic cigarettes; electronic cigarette liquid containing CBD, namely, electronic cigarette liquid comprised of vegetable glycerin; electronic cigarette liquid comprised of CBD and flavorings in liquid form used to refill electronic cigarette cartridges

Patents & Copyrights



No Illegality Doctrine

- ▶ HUD patent for medical marijuana
 - ▶ Patents for smoking marijuana
 - ▶ No. 6,132,762 (10/7/2000)
 - ▶ No. 8,753,696 (6/17/2014)
 - ▶ Plant Patents
 - ▶ Ditto for Copyrights
 - ▶ *Star Athletica, L.L.C. v. Varsity Brands, Inc.* artistic features may be eligible for protection as applied to a useful article



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Trouble in Patent Application?

- ▶ Must show inventor has possession of the claimed invention. MPEP § 2163(i).
- ▶ Evidence inventor violated CSA & attorney aided or abetted!



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Did You Tell Your Client About That Enforcement Thing?

- ▶ Feds Exclusive Jurisdiction
- ▶ U.S. Dist. Ct. Col: only ethical conduct permitted for attorney admitted to fed. Bar is advise clients regarding validity, scope, and meaning of Colorado law & related federal law.
- ▶ No attorneys represent in federal ct.
- ▶ Patents practically unenforceable
- ▶ Ditto for Copyrights



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Questions?



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