2022.06.14 Protecting Monetizing and Enforcing Cannabis IP

Vince Sliwoski
Hey everybody, my name is Vince Sliwoski. I'm here with Harris Bricken. Welcome to the webinar on cannabis intellectual property. We've got an hour. Thanks for everybody who signed up and who's here. And thanks to everybody who submitted questions in advance, we'll be answering them sort of throughout the panel presentation. I want to introduce everybody quickly. So my name is Vince Sliwoski. I'm here in Portland, Oregon. I'm a business lawyer. And I know a little bit about IP, not as much as the other three pros here I do soft intellectual property from time to time, I have background experience filing trademarks and some music, copyright and other types of stuff. But the three people who are mostly going to be speaking today are kind of lightyears beyond. So in one corner of your screen, you should see Jihee Ahn is a commercial litigator, and she's an accomplished IP litigator, she's litigated patents, she's litigated copyrights, she's litigated trademark. She's based out of both Oregon and California, she works out of our LA office, as well as our Portland office. In another corner of your screen, the guy with the jacket is Fred Rocafort. Fred works out of Seattle, and Florida. He's licensed in both places. Fred is an expert in trademark. So he does a lot of trademark prosecution, which is the term for actually filing and acquiring the trademarks not fighting over them. And he does like a lot of licensing and copyright work as well. And then in the other corner of your screen, the guy without the jacket is Paul Coble. And Paul is a very experienced intellectual property, he does both actually, he does prosecution on the patent side, he always has that means acquiring the patents, but also litigating them. And he's been he's been several court cases and jury trials and such. And I'll let him talk a little bit more specifically about his experience on that. But Paul is based in Arizona, in Phoenix, Arizona office. So that's kind of it. Again, if you have questions, and you didn't have an opportunity to present before the presentation, or when you logged on and registered, feel free to type them in. Throughout, we'll get to as many as we can. And we may write like a follow up post on the Canna law blog addressing things we didn't get to, but we'll do our best here in the hour. So hopefully, you can all see my screen. I'm gonna try to go to the first slide. And I'm just going to cover this one is types of intellectual property. And this is what we're gonna cover today. There are three broad categories you'll see here. First, is patents and copyrights. Those categories of intellectual property are kind of unique, because they're actually provided for in the United States Constitution. So they're a little bit different than the other things that we're going to talk about. And as you can see on the slide, the general idea with both of those classes is they promote investments, advancements in science and technology through limited exclusive rights. And they tend to expire, they do expire both of them after certain terms, patents are shorter in duration to start copyrights longer. We'll get into that as of slides go on. And copyrights kind of come into existence, right? When you create them, you can also register them. Patents are a little different, you actually have to go through the registration process before you have a patent. If you don't register it, it's a trade secret or nothing. The next one is trademarks and trade dress. They're similar. They are types of intellectual property that exist at common law before registration, like with copyright, but if you choose to register them, you get additional protections that

are conferred by statute, whether it's a state registration in the state statute thing or a federal registration, and a federal statute like under the Lanham Act, which covers trademarks. The last one is trade secrets. Trade secrets is as it says, they're kind of a catch all protection for valuable commercial efforts. If you have a trade secret, its value is in that only you're the only one who knows what it is and how to use it and how to monetize and how to leverage it unless you share sort of limited exclusive rights, maybe with other people under licensing agreements or non-disclosures required. One of the more famous trade secrets that people generally cite is the recipe for Coca Cola, right? And nobody knows exactly what that is. That's a trade secret that has been kind of kept under lock and key for I don't know how long, over 100 years. So those are the really broad categories of intellectual property. And now we're gonna go to the next slide. We're going to start by covering copyright. Fred, I think you were gonna cover that one. So I'll let you self-introduce a little bit better than I did if you'd like and then take it away.

Fred Rocafort
Thank you, Vince. Once again, my name is Fred Rocafort. Within the intellectual property realm, I mostly focus on on trademarks, but also do some copyright works well. In another life, I was working based out of Hong Kong for a consulting company focused on brand protection, intellectual property protection, and that gave me… my focus at that time was very practical. My focus was on finding counterfeits, getting them off the streets, helping my clients deal with the issues that they were facing in the real world. And even now that I've moved into the, the more well, we could properly describe us to ask the legal side of things, that experience still informs the way that I look at these issues. And that may become evident as we carry on with our discussion. So starting with copyright, I think many cannabis lawyers, intellectual property lawyers, and folks in the in the cannabis industry might look at this particular intellectual property right as the odd one out because it doesn't come up as often perhaps, at least for some brands. And also, it is of the three major kinds of intellectual property rights, trademarks, patents and copyright. It is one of those that doesn't really present any cannabis specific issues. And what I mean by that is very simple. Just because the subject matter of the copyright, that you have is related to cannabis, that's not going to be an issue in general terms. This is very different. This is in marked contrast to what happens with trademarks, and we'll see that in a little bit. But I think it's important to point that out, generally speaking, our copyright law is not going to be looking at what the what the copyright consists of in terms of its content, it's not there to make value judgments. As Vince mentioned, during his brief introduction, copyright is created, or I should say it bests, it comes into being at the time the subject matter is created, there is no need to seek any form of, of sanction from the government to make that copyright exist. So if you write a song, you have copyright rights over at the moment that you, you write it down, if you write a book, the same thing. Notice, however, that you do have to fix that, that work in intangible form. So if you have a song that you're humming in your in your head, or this great idea for a novel that that's not enough, it actually has to be you actually have to put it in into a physical form basically, tangible form. But that said, the moment you do that, you have those rights. Regarding registration, as mentioned already, there is no need to actually register copyright, but as we will be discussing very shortly, whether you register or not can have major consequences in terms of what rights you have, and what options you have in case of an infringement. But this might be of interest to some of you: There are actually countries where there is no copyright registry, right. So this is this just goes to show how copyright is traditionally seen as something that just comes into being when a work is created, rather than something that the government decides you have

or not. And this can be very useful when going abroad. In some cases, it might be difficult to obtain protection for a trademark when you go overseas. But that copyright, many countries will recognize those copyright rights just on account of the fact that the work has been has been created. Next slide, please. So let's turn now to the subject of copyright litigation, as I mentioned before, registration is going to be key in this sense. And I'd like to turn things over to Jihee for her thoughts on the issue of litigation and maybe give us an overview of what litigation looks like and what Perhaps some tips on how to come up with a with a good strategy with a view to potential litigation.

Jihee Ahn 09:38
Thanks, Fred. So hi, everyone, my name is Jihee Ahn and like Vince mentioned, I'm a full time litigator, I have litigated all three categories of IP that we are going to be talking about today. And yeah, it's a very interesting realm. Certainly for This industry but for all others, and I will be kind of leaving in and out of the presentation to talk about infringement litigation, giving an overview and going through the elements that need to be established. And then provide some, I guess, tips or strategy that, you know, we typically want our clients and potential clients to be mindful of. So, you know, shifting gears to copyright litigation, and more specifically, infringement litigation, there are a few things that I'll emphasize or clarify when thinking about protecting your copyrights from a litigation perspective. So as Fred kind of explained, during his segment, copyright law affects, you know, an individual's rights and ability to essentially do things like use a work, or reproduce the work, distribute a work, perform a work and so on. And copyright infringement lawsuits come up or arise when someone's copyright is violated, meaning when an infringer will reproduce the work or distribute the work, etc, without the copyright owner's permission. So if we could go to the next slide, there are… I think we need to go back one to the elements. So what are the elements of a copyright infringement lawsuit? I have four points in the presentation there. But really, they kind of boiled down to two major elements. So the first element is ownership of a valid copyright. And that kind of encompasses points, one through three there. And an infringement complaint needs to establish you know which original work was violated, that the plaintiff actually owns the copyright in the work, and that the copyright has been properly and legally lawfully registered. You, Fred, kind of emphasize this a lot. But registration isn't necessary for a copyright to exist. But as he mentioned, if someone wants to enforce their copyright against infringers then registration is a requirement before that person can file a lawsuit. The second major element is, you know, obviously the infringer is copying of the protected elements of the copyrighted material. So this can encompass situations like piracy, where an infringer is producing an exact replica of the original. It can also encompass situations where the infringer is creating something similar enough to the copyrighted work to be considered infringing. And in that situation, the courts will apply what's known as a substantial similarity test, which is fact intensive and a little more difficult to prove. If we could go to the next slide.

Vince Sliwoski 13:17
Sure. Quick question. So copyright litigation, that's all federal court. Right. You don't do that in state court?

Jihee Ahn 13:24
It's mainly limited to federal court, although, you know, certainly they can be added as claims and state court actions as well.

Vince Sliwoski 13:33
Okay, thanks for clarifying. Go ahead.

Jihee Ahn 13:36
Sure. So in terms of general strategy, my first tip, and I know we keep kind of harping on the same point is to register your copyrights with the copyright office. And as we went over, you know, the, the most significant advantage that this will provide is that if you find infringing activity out there, then you will have the ability to file a lawsuit to protect your IP rights and potentially recover, you know, any damages that derive from that. But also, registering creates a public record of your copyright claim, which does a couple of things under the law. So first, it makes it much more difficult for an infringer or a potential defendant out there to claim what's known as the innocent infringer defense for basically say that, you know, they weren't aware of your copyright and so their activity was harmless. Second, if you register the work within five years of its creation, the registration also creates a presumption that your copyright is valid. And so later if an infringer tries to challenge your copyright, you kind of have or you kind of start the lawsuit at least with an upper hand. And third, if you're really on top of it, and you register your copyright right within three months of publication or creation, or prior to the infringement activity, then you're eligible to also claim and win statutory damages or your attorneys fees if you decide to file a lawsuit, and this is really huge, there are a lot of economic considerations that go into filing a lawsuit maintaining a lawsuit settling a lawsuit. And if you have the ability to open the door for statutory damages that can range from, you know, $30,000 per work, to even up to $150,000 per work, that's really huge. And it creates a significant advantage and piece of leverage for you. My second tip is to be mindful of what's known as the statute of limitations for your action. So a statute of limitations is basically your deadline to sue or file a lawsuit. And for copyright infringement lawsuits, that deadline is three years from the date of the infringing act. So like I mentioned, there are a lot of considerations that go into deciding whether to sue someone, and you know, the deadline, and that kind of timeline or clock that you need to keep track of is, is something that you should be mindful of. And my third tip is to be mindful of where you sue. Copyright Law originally derives from federal law. And based on my experience, I think, from general experience, federal courts definitely seem to have a bit more expertise than state courts, especially those courts that are located in places like LA and San Francisco and New York, because, you know, that's obviously where a lot of these issues are taking place. So where you file a lawsuit is also an important decision. And if it's possible, we typically do what we can to help ensure that, you know, the IP lawsuit is before a court or even a specific judge that has the knowledge and experience that is going to let the case run as smoothly as possible. So those

Vince Sliwoski 17:24
One thing to talk about, maybe quick before we leave this slide, and that might be helpful for this audience to understand is my understanding is that there has never been an issue with respect to registering cannabis copyrights. Is that right? With trademark, Fred could probably talk the best about this, we always bump up into this issue of the USPTO examiner's denying cannabis trademark applications because of this lawful use in interstate commerce requirements. And I think we don't have that with copyright. Is that right? Fred? You can just go ahead. And it's a simpler process, isn't it registered copyright?

Fred Rocafort 17:58
With regard to your first question, yes, they're in general there are no issues. When it comes to registering a copyright that covers something that is cannabis related. And I mean, I, I say in general, just because I'm a lawyer, and I always have to qualify things in that way. But I've never encountered a situation where there's been an issue involving… maybe because of the fact that it's a cannabis related copyright where there have been any issues. And in fact, if you look at some of the examples of copyrighted works, songs, you know, by, by different artists that are about cannabis, right, books about cannabis, right, it's not going to be an issue in the way that it can be with trademarks, as we will see. And in terms of in terms of whether it's simpler to register: I mean, I guess trademark registration can in some cases be rather straightforward as well. So I don't know that I would go that far. But that said, with trademarks, there are a number of issues that can come up, and we'll be looking at those in the soon. And those issues don't come up with copyright, just because of the different nature of the right. So I guess, yeah, I guess you could say that overall, it is it is more straightforward.

Vince Sliwoski 19:25
And they're cheaper to register to, right? I mean, the fees that you pay to the on the copy.gov, or whatever it is, they're a lot cheaper than the trademark registration fees, aren't they?

Fred Rocafort 19:35
Yeah, I mean, trademark registration is reasonable as well. So it's not, I mean, I wouldn't I wouldn't want to overstate that point. But sure, it can be a relatively registering a copyright is a relatively inexpensive endeavor. So yeah, I think for a lot of brands, especially… And this is perhaps a good segue into the trademarks section—sometimes a brand will not be able to register their trademark for any, any number of reasons and registering a copyright can be an option. Sometimes there are different objections that that brands have, including the fact that well, we'd have to register, you know, we'd have to get copyrights for all of these different works. But again, because the cost of doing so is not that elevated, it's might not be such a such an issue. So with that, perhaps I can jump into trademarks. Okay, next slide, please. So here's one definition of a trademark, I think a lot of people have a general sense of what a trademark is. So here's, here's an actual definition, pretty simple one, a word, phrase, symbol, sign, or combination of these things that identifies your goods or services. There are what some people call non-traditional trademarks, things like sounds, things like sense. We won't really touch up on those today, but just for your own general information, be aware that there are trademarks that are, do not fall under this simple definition that I've provided, but the vast majority of them do. So we're talking things like business names, things like slogans, things like logos, things like taglines. One interesting thing about trademarks is that they, you could say that they exist as a legal concept. They are an economic reality in the sense that trademarks legally do not exist, unless they're actually used in in commerce, right? This is different than the copyright. If I write a novel, it perhaps no one else will see that novel, perhaps they won't, I won't sell a single copy of it. I still have copyright over it. Well, with trademarks, I can come up with all sorts of cool logos and slogans. But if those are not utilized in the real world, in the in the world of business, then Legally speaking, they're not a trademark. And one very important thing to keep in mind when we talk about trademarks, at least from a legal standpoint. Sometimes the word is used with other meanings but if we're looking at it as the legal concept of what a trademark is, trademarks are connected to particular goods and services, very often we will hear people say well, “I own this trademark” or “I want to acquire this trademark” with the

meaning of obtaining exclusive rights to a particular word or a particular logo. And that's not how it works. Trademarks are only the, as a legal right, they only apply to specific products. There are large brands, you can think of brands like Starbucks that are have the resources to register their trademarks in for a wide variety of goods and services and maybe theoretically they could they could say that they have trademark rights over a particular word for every imaginable product, but the overwhelming majority of brands cannot do that. So you are looking usually at that word that logo only in connection with certain products. Think of one of the best examples and one that's often given when discussing these issues think of Delta, the name Delta. There is a Delta Airlines and they are the owners of the trademark delta as regards air travel services and presumably other things that they that they do operation of lounges, transportation of cargo etc. But at the same time, we have Delta Faucet I forget it that's the exact name for the company but basically the company that does plumbing fixtures. Dove Chocolates, as opposed to the people that make the soap. So this is an example of how a trademark is owned in relation to specific products right. Registration is not required. It's a little bit different than with copyright, right? The moment you create a work, you have copyright over it with a trademark, it's not really the creation of that particular word or logo, but rather when you use it in commerce at that point, at that point, there are rights that attach to that particular trademark. But, as is the case with copyright, registration has certain important benefits. And we'll discuss those more during the trademark litigation section. I didn't mention this in the copyright section, but it also applies: trademark and copyright rights can be transferred or licensed. And this is actually a very useful way for owners of whether it's a trademark or a copyright to derive economic benefit from that intellectual property without having to give up ownership of that. Next slide, please. So as opposed to copyrights, when it comes to trademarks, there are a serious trademark. There are serious issues involving cannabis trademarks. As I mentioned, a couple of minutes ago, trademarks, in order to have a trademark right, the trademark has to be used in commerce. However, commerce involving marijuana is unlawful. So as a result of that, trademark rights at the federal level cannot exist in goods that are unlawful at the federal level, including marijuana and I'm using the term here as defined in the Controlled Substances Act. We'll also talk a little bit more about this in a minute. But also, the same thing goes for many of the CBD products that are considered unlawful under the Federal Food, Drug and Cosmetic Act. So USPTO the United States Patent and Trademark Office will not register a trademark for a good or service that is considered unlawful under federal law. So this is very different to copyrights where it just doesn't just doesn't matter. You can you can register a song about marijuana song about CBD, although I think no one has done that yet. But if somebody ever if somebody ever did then then they could. And we'll be talking also, I don't know if it's the next slide. But we'll also be talking about states. Notice how Yeah, so we'll park that discussion for a little bit. But what I just mentioned now involves federal registrations and federal trademark rights. Well, obviously, there are states where the legal regime for cannabis is different than that does impact. Trademark law. Next slide, please.

Vince Sliwoski 28:11
Yeah, and one thing that's interesting to note about state and trademark, and maybe this is getting pretty nuanced, but some states have a situation where you register your trademark at the state level, but it's only protected in the areas of the state that you're actually using the mark. Right. Whereas other states, you registered at the state level, and you've got broad coverage to the four corners or whatever it is of the state. So a state like Oregon and the state like Washington are very different with respect to cannabis trademark or any trademark registration. And people should think about that when they

register their state level trademarks and not just presume that they're going to have coverage everywhere. Sometimes they don't. And they learn that the hard way. So go ahead.

Fred Rocafort 28:48
Yeah, and that's actually generally speaking, even if we go beyond cannabis, that's also a consideration when you're looking to if you're looking to avail yourself of your unregistered trademark rights, right what is usually known as a common law trademark, that's a factor as well, there are some legal protections that that apply to those trademarks that are not registered, but they are sometimes linked to or limited to a particular geographical area because of that origin in the in the common law and what those protections sought to do. So, if, let's say a brand does offer unlawful products that are unlawful at the federal level, whether it's whether it's cannabis over the 0.3% threshold or CBD products that are considered unlawful by the FDA, what can they do? Well, a common strategy is to register their trademark or trademarks for adjacent goods and services or what some people called ancillary or there's a variety of names. But basically we're talking about registering that trademark for something else. Very common scenario is for brands to register those trademarks for merchandise such as T shirts, lighters, matches, in some cases, those products might form a product line that the brand really wants to protect. In some cases, maybe it's just the way that the brand gets some trademark protection in place. But as you can see, it's not that difficult, frankly, to find an item right that, that even if the brand is only selling those cannabis products, it's not you know, things like matches, things like lighters, things like ashtrays, things like baseball hats, it's just not that hard to get into that place where it where you can start where you have other goods that that can get that trademark protection. This all said, I think it's important to go back to basics when coming up with your trademark strategy. As I as the slide says the idea should not be to register a trademark, I sometimes start working with a new client. And I see that at some point in the not so not so distant past they applied to, to register a trademark, they have included a number of products that were not going to create issues with USPTO, right, their T shirts, their sunglasses, their playing cards. But then a couple of years later, when USPTO wants to see that mark used in commerce, very often clients realize but you know, the reality is we don't want to have playing cards, we don't want to give them out for free, we don't want to sell them or we don't want to have T shirts. So it's important to keep this in mind. Right, it's great to have trademark protection of some sort, and to have that registration that shows to the world your legitimate brand. But I guess you also have to keep bringing back those registrations to do the real world business model that you have. And it may not make that much sense to register a trademark for something that you just don't plan on offering in the future. Next slide, please. So just very briefly, I mean, I already touched on this. Under federal law, there are products that are not considered controlled substances. So they are not, they are illegal from the point of view of the Controlled Substances Act, but they are they are unlawful under other laws. And specifically, this comes up in the context of the Federal Food, Drug and Cosmetic Act. Lots of CBD products and just other hemp products as well, that are unlawful under the provisions of that law. And the same thing applies. The same logic applies. These products are not lawful at the federal level that you can't you can't register a trademark for them. And by the way, in case you're wondering, this is not a cannabis-only concern. The federal government is not out to get cannabis brands only. In fact, this issue of whether a trademark is used on products that are legal has come up in a way with in connection to a broad range of products. One case that I looked at involved Cuban cigars. They were those Cuban cigars where it was unlawful to import them into the United States under the loss on Cuban trade, and so USPTO said “no, we can't we can't register that trademark in the United

States.” Right. So it's not a cannabis only thing. One thing to keep in mind when it comes to the to the FDA regulation of hemp products. There are gray areas so for example, the law has some provisions regarding drugs as in medicines, not as in narcotics. But it's really not clear what constitutes a drug or not, right. It's a very subjective definition. And the federal authorities will look at a broad range to have information to make that determination. So be very careful about what you're putting out there. Because if you're telling the federal government, this is not a drug, this is not being used to treat any particular kind of ailment, and your website says something else, then federal government is going to say, No, that's a drug. And then that's going to have some implications for trademark rights. Next slide, please.

Vince Sliwoski 35:25
Yeah, on that point, I think I even came across one case where the business wasn't putting that kind of stuff on its social media, meaning those claims by customers sort of were putting testimonials and the business wasn't taking them down. Right. Is that right? And FDA was... So it's not only that you have to be careful what you put up there. But it's where you allow it to be put up there. Because all of that can be used again, is that right?

Fred Rocafort 35:45
That's, that's absolutely true. We've even seen customer reviews on Amazon come up. And that wasn't even that was actually in the context of paraphernalia. Customs, US Customs and Border Protection relied partly on comments made by consumers on Amazon, saying, hey, this product is great for this. And if you went to the website of the actual brand, there was no mention there of cannabis at all. But that's what the customers said, and customs had no problems relying on that, to decide that. Yes, that product was drug paraphernalia. Just to summarize this slide, very often the question comes up, well, what's going to happen if and when we have legalization at the federal level? What's going to happen with trademarks? And the simple answer is nobody knows. There are precedents that might be utilized. But there is no guarantee that this is going to be the case. In general terms, what when people ask me what I try to, the best advice that I can give is try to the extent possible to register that trademark for goods that are as related as possible to those goods that are currently not lawful. Meaning that if you're registering your trademark for I don't know, for balloons, and then there's someone else that's registering that trademark for let's just say something that's more related to cannabis, right? Whether I don't know, could be hemp research or something like that? Well, we don't know for sure. But there is a chance that the way some of these issues are going to be addressed in the future if there if there are conflicts is going to be by looking at how related to cannabis to the cannabis products themselves those earlier. Or, you know, those registrations that are in place are they might the authorities might look at when the trademark was first used, regardless of how related it was to cannabis or not, we don't know right. So this is just things you can do to try to improve your chances of coming out ahead once legalization takes place, but it's very much a fluid field. Next slide please. I know we're beginning to you know, we're running on time here. So just be aware of the fact that there are other trademark issues that don't go away just because you're dealing with cannabis trademarks. So trademarks cannot be merely descriptive. You cannot sell a beer called “beer” or open a coffee shop called, I mean you can do you can open a coffee shop called “coffee” but you're not going to be able to register a trademark for a brand you know a trademark, that's just coffee. And the same thing is going to apply to your cannabis trademarks, likelihood of confusion with other marks, these are things that that are going to you have to be aware of as well. Dilution, that was the Potify case. Spotify, as in the famous company, they sued

another company that that was using the trademark “Potify” and that was the on the grounds of dilution, right. So again, we could do this, you could we could have an entire webinar on these topics, but just be aware that the bottom line is general trademark issues are also there in addition to the cannabis specific issues. The next slide. We had mentioned states are an option as well, in a state where marijuana as defined by the by the Controlled Substances Act is legal, then at the state level you might be able to get those trademark protections. But as Vince pointed out, there might be limitations in terms of the scope that's going to be covered. So something to keep in mind as well. And I think from here, we can move through trademark litigation. Is that? Is that the next slide? Yeah, there we go. Perfect. So with that, I turn it over to to Jihee. And I think Paul as well, he's gonna have some comments as well.

Jihee Ahn 40:37
Yeah, we are definitely running a little short. So I'm going to kind of breeze through my slides just because Fred touched on a lot of what they include. So as an introduction, Vince mentioned that the source of trademark law is generally the Lanham Act is probably the most cited. There are also state based statutes and claims that can be claimed and lawsuits. You'll see there section 21 of the Lanham Act deals with infringement of registered trademarks, and imposes liability for infringement. And that means, you know, if a defendant uses any reproduction, counterfeit, copy, or imitation in commerce, that is likely to cause confusion. And section 43 deals with what's known as unfair competition. And that broadly prohibits the use of misleading or confusing words, or false advertising. Essentially. If you go to the next slide, I have a breakdown of the five trademark elements that need to be established in any claim. I don't think we need to go through this one by one. But you know, obviously, first, you need a valid trademark, I will highlight here that the fourth element, which is the likelihood of confusion is generally where court cases kind of come down on, because like we mentioned, the whole point of this area of law is to prevent consumer confusion and distinguish one's brand and product from others. So whether there's a likelihood of confusion is assessed by, usually, in most cases, assessed by applying a multifactor test here on the west coast. In the ninth circuit, that test is a run through of what is known as the eight sleek craft factors. And they include things like the strength of the plaintiffs mark, the defendants use of the mark, the similarity between the two marks, whether there have been instances of actual confusion, and things like that, and it's a flexible test, not each factor is going to hold the same weight. And so for example, some case law provides that if the two marks are very similar, or there have already been instances of confusion by consumers of the two brands or the two products, then that is going to kind of sway the court to find that likelihood of confusion. If you go to the next slide, I'll quickly go over. So first, you know, we've talked a lot about the fact that federal trademark registration is not available for most of you know who our audience is today. But if you are in a state where state registration is available, you know, we always encourage our clients to take advantage of that. And again, you know, if registration for ancillary or related products makes sense, then that should be taken advantage of as well. The statute of limitations or the deadline to sue is typically a four year deadline for infringement claims and unfair competition claims. And here for trademark litigation, specifically, I always run through with my clients whether it makes sense to pursue preliminary relief when a case begins and that just means requesting a temporary restraining order or TRO that would go into effect pretty immediately or requesting a preliminary injunction that would hold during the duration of the lawsuit. And I mentioned this specifically here because lawsuits can take a long time, you know, they are most often multi-year processes. And a brand can be pretty damaged while it's in the middle of a lawsuit fighting an infringer so, you know, for example, if consumers are going to be continuously

confused about your brand versus another brand because the marks are similar or what have you, that is real confusion that could ultimately drive away revenue from you and your business. So that's an option that I like to have clients consider on the front end.

Vince Sliwoski 45:27
Okay, let's talk patents. Paul, I think you're gonna handle this, why don't you self introduced, I didn't introduce you all that well, and then get into it.

Paul Coble 45:34
No worries. I'll do a quick brief introduction. My name is Paul Coble. Like Fred and Jihee. I also practice the other types of intellectual property. But I am also a registered patent attorney, meaning that I'm licensed to practice before the US Patent and Trademark Office writing prosecuting patents as well as post grant reviews. So I've been doing intellectual property and patent law for about 15 years and have been in the cannabis industry properly for about five years now, both legally and operationally as part of some ancillary companies. So I'm very attuned to some of the unique challenges and issues in the cannabis industry for intellectual property. So let's get into patents. Alright, so patents are, unlike copyrights and trademarks, patents have the ability to protect underlying functionality of an invention how a device actually works. They're intended to be very broad rights, the exclusive right to make use sell, offer for sale, or import a patented invention for up to 20 years from the date of filing. The requirements for patent are a little bit higher than some of the requirements for, for example, copyright or trademark. And they, patent applications get a much more rigorous examination to ensure that the invention is truly new. And it has to be not only new, but it has to be an inventive step above everything else that currently exists or that the examiner can find we'll get to that in a second. So patents are intended to be true advancements in technology and are intended to protect those advancements. The US in 2012, moved like the rest of the world to a “first to file rule” meaning that if there's a debate between who invented it first, whoever got to the patent office and submitted their application first wins. There is a critical statutory bar to know about and that is, if you publicly disclose or offer for sale, the invention, the claimed invention, you may be barred from obtaining a patent on that invention. In the US, but not only in the US, butthe US is probably on the rare side of this, you do have a one year grace period, if you did the publication, if the inventor caused the publication, caused the sale, cause the public disclosure, there is a one year grace period, but that's only in the US. And so if you rely on that grace period, you may lose patent protection in other jurisdictions. I just touched on this, that the applications are examined by the patent office to ensure that they're new and non obvious, they also have to be useful and the useful element in patents is fairly de minimis. But it does come up frequently in pharmaceuticals or therapeutic indications, you know, methods of treating this ailment, you may be required and you do have to provide some sort of evidence that that method or that use is, is useful and is actually efficient, or effective. Some just examples at the bottom here of cannabis related patents that are available: heating elements, vape liquid formulations, or all types of formulations, tincture formulations, extraction processes, extraction systems, methods of refinement, things like that, edible methods, plants. I'll touch on this in a little bit more detail in the next slide. But plants and genetics are also fair game for patentable subject matter. This slide shows the main types of patents that are available and some kind of key statistics around them. The most popular most common one that most people know about are utility patents. utility patents can protect either methods or devices or compositions of matter. That's where you can get either composition on a new molecule that you

invented or a new genetic screen. If you do if you modify a plant's genetics and have a unique and novel plant genetic that you can submit for a new composition patent, you can obtain a utility patent on that. And you can also obtain utility patents on plants. Though, utility patents work well designed for protecting plants and so there are a number of limitations in using them. I do think that the genetics, if you have novel genetics, a utility patent has a lot of benefit. But utility plans for pant plants specifically in cannabis are less valuable, in my opinion. Utility patents have the ability to file a provisional patent, which is essentially a placeholder patent that holds your filing date for up to one year, you do still need to file before the end of that one year a regular patent application in order to preserve your date and move the application into the examination phase. Examination especially for utility patents can take anywhere from about a year if you're fast tracking it, to two, two and a half, three years for really crowded art fields.

51:20

Plant patents down here are 20 years from the date of filing, they're a little bit cheaper than utility patents to obtain. Critically though, plant patents must be asexually reproduced via either buds, cuttings or cloning. And infringing a plant patent only occurs when you clone that plant through buds or cuttings or other types of methods. So you actually have to have access to the source genetic material in order to infringe a plant patent. And they're not terribly popular in the cannabis space for a variety of reasons, but they do exist, they are something to be aware of, but not terribly popular. Next up, another option for protecting plants is the PVPA which stands for the Plant Variety Protection Act. The Plant Variety Protection Act can protect both asexually and sexually reproducing plants and so you can protect the seeds at the seed level PVPA does extra require a deposit of 3000 seeds in a USDA facility. And that USDA facility will not accept deposits on plants that are controlled substances. So for the time being the PVPA is only available for hemp plants. I do not know what the DEA's recent ruling, that cannabis seeds even if they will mature to have a higher THC port profile, that those seeds are not controlled substances. I do not know, and I don't believe anyone has tested it yet, if you'd like to test it, get in contact me we'll do it. But I don't believe anyone's tested whether or not under that new rule, you can submit the seeds to the for PVPA for a high THC plant remains to be seen. If it does come out, we'll write about it on the blog. Another option though to always think about our design patterns. Design patents are kind of similar to copyright, that they protect the ornamental aspect of a device, how it looks and feels. If you have logos, packaging, or other nonfunctional and inventions, design patents might be an option. And that could be contemporaneous with copyright protection as well. Let's go to the next slide. Alright, this is a really interesting case study that I use to bring up two big problems in cannabis, with cannabis patents. On the left is a claim from producing Delta-8 using toluene and a toluene based acid, quenching with sodium bicarbonate, very simple process. I showed this patent when it issued a couple of months ago to a bunch of cannabis manufacturers and they all said, "yeah, we've all known about this. We've been you know, people have been doing it for years." And I asked him to send me a written product dated before this patent's filing date, and only one person could do it. And that shows a unique problem in cannabis. And that is there's a lot of knowledge here. But a lot of that knowledge has not been written down or at least written down in the sources that are checked by US Patent Office examiner's those sources are traditionally patents and academic literature. And prohibition has caused both of those to be stunted. So we're seeing a lot of bad patents that issue just because an examiner couldn't find any prior art. So I assumed this was kind of one of those patents until I looked at the actual patent itself and saw that the examiner cited only one other patent, completely irrelevant, and the

Wikipedia entry for “distillation.” That's it. That's all the patent examiner could find on this. I spent five minutes on Google patents and found the patent on the right, which describes the exact same process using the exact same reagents in the exact same order to produce the exact same delta-8 THC, and it was filed 20 years before. Why the examiner didn't find this is another big issue that affects actually all patents and all industries. And that's that examiners just aren't given enough resources to go out and find the prior art. So, a lot of patents in all industries, but particularly in cannabis are issuing that should not issue, they're way too broad. If they try and be enforced, they will likely be invalidated by a court, they might be subject to some sort of post grant review or other type of challenge. So, separating out good patents from bad patents is a big challenge in the cannabis industry and will remain so for probably the next patent generation or 20 years or so. Alright, next slide.

56:06

So what can be done about bad patents? That is a big challenge. And like I said, in every industry, on the bottom left hand corner, the most common way that patents fall is just in litigation when patentee tries to assert a patent or accused infringer is going to go out there and do as much as they can to find all of the prior art and zealously argue it in a court of law. And judges are notoriously not technophiles. And so they are, some of this technology can often go over their heads. So a lot of patents do fail in litigation for a variety of reasons. Another option, in the top right hand corner are post grant reviews and inter-partes reexam. These are methods within the patent office to challenge recently issued patents or recently led asserted patents with new prior art that wasn't seen before the patent office. So in the Delta-8 patent before example, in the last slide, conceivably the industry, anyone in the industry could go to the patent office and file a post grant review, and say, here's a patent that invalidates that, it should be invalidated and cancelled. And that is always an option. The bottom right hand corner is kind of the self help option, which is to seek a non-infringement or invalidity opinion from a competent patent attorney in the field who can say “I'm looking at what you're doing your device or your method. I'm looking at the patent and its claims, and I do not believe that you infringe this patent. And here is a letter with my signature at the bottom explaining why.” Or that, “I believe that this patent is invalid in view of these other patents. And here's the reasons why.” those types of opinions can should serve as insurance from what are essentially the patent version of punitive damages of willful infringement. So I think the next slide is damages. So let's talk damages real quick. So, patent infringement, you can get lost profits, but you have to show a nexus between the lost sales and the infringement, specifically the infringing feature. And sometimes these features are, you know, 1% of a device. And that can be very difficult to show that a consumer bought this product over your product because of that 1% feature. Sometimes it's possible, not always, that's why reasonable royalties, the second major bullet point here, is the most common form of patent infringement damages, where you can assign essentially a dollar value or percentage to each sale. And that then gets multiplied by the infringer’s total sales, either by units or by dollars. Last, that aspect of damages is the what I just mentioned, a treble damages. If you know about a patent and either know that you infringe that patent or recklessly conduct your business without determining whether or not you infringe that patent called willful blindness, you could be found liable for willful infringement, and all of those limit damages could be multiplied by up to a factor of three. And that's where we get into some really, really big damage numbers. All right, we're coming close to the end here. So I'll turn it over to Jihee and see what we can finish up with.

Jihee Ahn 59:40

Yeah, sure. So, you know, I think that was a great overview. I guess, mainly for litigation. And Paul, feel free to jump in with whatever you think is most important to address in the next 30 seconds, but patent infringement claims are obviously governed by federal statutes. So we did want especially know that all cases are filed in federal courts and even appeals of those cases go to a specific appellate court. At the district court level, where cases are first filed, I think it's important to know that most courts have specific patent case procedures and rules, just because these issues are so complex and intensely technical. So, as a general kind of heat of advice, I guess, patent infringement cases certainly are not the type of case that should be handled by someone who isn't familiar and well versed in those rules and procedures. These are the two patent elements, basically, they're, the first is to have the plaintiff established that it owns a valid patent. As Paul noted earlier, registration with the USPTO is the only way to prove ownership. And not only that, it also creates a presumption of validity, meaning, instead of the plaintiff, meaning to prove it has a valid patent, the burden shifts to the defendant to prove that the plaintiff's patent is invalid. So it gives you a leg up at the start of the lawsuit. And second, the plaintiff has to establish that the defendant infringed its patent, obviously, an infringement can range from copying an invention to using it without permission offering to sell it without permission, all of those things. And if you're encouraging a third party to do those things, you can also be found liable. And Paul, I'll let you take this slide.

Paul Coble 1:01:49
So, a couple of strategies for patent litigation, the biggest one is to avoid patent litigation. As Jihee mentioned, it's it can be highly technical, requiring special rules special discovery, and can be just very expensive. There's often experts involved and you know, specialty attorneys. So one of the best ways to do that is to proactively monitor the patents that issue in your field to avoid infringement from the beginning. There aren't a lot of great services for that. There are paid monitoring services and Google patents if you want to do searching, I also run a website called bottledcloud.io, where I curate all the cannabis related and hemp related patents every week, and post them to that website. So if you're specifically interested in cannabis patents, I post them to bottledcloud.io with some metadata and things like that, to see what the patents are at about at kind of a quick glance. So that's, I think, a pretty good service, it's I use it actually all the time. If you do see something, a patent that either interests you and you want to pursue something in that field, or you think it might be applicable to your business, or just kind of close, and you think that they might sue you later. And you want to have a good defense, like I mentioned, it's really a great idea to obtain a non-infringement and/or an invalidity opinion. Those provide great insurance both against willful infringement later, but also, you know, if you have a non-infringement opinion that is written, you can give it to your employees as kind of a guidebook and say, This is what I need you to do, so that we do not get sued. And make sure that they always do that. And then you always have that and you don't have to go back and hire an attorney every time you have that particular question. And if you've got really high stakes product, and you want to, before you sink millions of dollars into a product launch or R&D in a particular area, you can do it what's called a freedom to operate opinion. And we can go out and have a search firm search for a bunch of patents in the related areas and kind of organize it for us and then have an attorney look through and decide if there's any that are problems, or potential problems with that business model. A final note just, don't need to go back, but a good defense strategy for litigation is to develop your own portfolio of cannabis or applicable patents. Very frequently, patent litigation ends when two companies cross license their

patent portfolios to each other and allow each other to keep doing what they were doing kind of free of interference. So that is a solid strategy for avoiding honors patent litigation.

Vince Sliwoski 1:04:34
So I'm going to hop in and just skip the last slide because we're five minutes over. Not that it's not super interesting and valuable. But I think for everybody who's attended today, first of all, thanks for coming in. Second of all, we will run a replay of this webinar on our blog. Most of you probably or many of you probably found us through the Canna Law Blog, so just tune in, subscribe. Check it out, probably a week. We'll probably have this thing up here and we may share slides too. I'll check with the presenters on that. And then yeah, thanks, everybody. Feel free to contact us at any time with any intellectual property related questions any of these attorneys or any other attorneys you may find on our firm and we'll look forward to seeing you next time.