Trademark Laundering, Useless Patents, and Other IP Challenges for the Marijuana Industry

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Trademark Laundering, Useless Patents, and Other IP Challenges for the Marijuana Industry

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I. Introduction

Marijuana regulation is in a state of flux in the United States today. While marijuana remains a Schedule I narcotic under federal law—a drug whose manufacture, possession, and sale remain serious felonies\(^1\)—a number of states have begun to repeal their own prohibitions on marijuana, either for medical patients or for all adults.\(^2\) Although marijuana law reform in the states is good news for those concerned about the pernicious effects of marijuana prohibition—mass incarceration, disparate impact on communities of color and other vulnerable groups, the fostering of criminal gangs, etc.\(^3\)—it does nothing to change the

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1. See 21 U.S.C. § 812(c), Schedule I(c)(17) (2012) (designating THC, the active ingredient in marijuana, as a Schedule I drug); id. § 841(a) (describing prohibited marijuana activity).

The report finds that between 2001 and 2010, there were over 8 million marijuana arrests in the United States, 88% of which were for possession. Marijuana arrests have increased between 2001 and 2010 and now account for over half (52%) of all drug arrests in the United States, and marijuana possession arrests account for nearly half
TRADEMARK LAUNDERING

continuing federal marijuana prohibition. Even as twenty-three states and the District of Columbia have authorized marijuana for some adults, marijuana remains illegal for all purposes under federal law.5

Marijuana thus exists in a unique legal place in those states that have repealed some or all of their marijuana prohibitions—it is “legal” in those states, but it is not entirely licit.6 Those who use marijuana in compliance with state law act nonetheless in violation of federal law and face the risk of arrest, termination from their jobs, and the loss of public benefits or parental rights.7 For those seeking to produce or sell marijuana under state laws and regulations permitting such conduct, an additional set of concerns arises. In addition to the ever-present—but remote—risks of arrest, incarceration, and asset forfeiture, marijuana businesses cannot operate as other businesses do. They are often unable to find banking services, they face unusual and onerous tax burdens, they cannot rely on the enforcement of the contracts they sign, and they may have difficulty finding lawyers willing to

(46%) of all drug arrests. In 2010, there was one marijuana arrest every 37 seconds, and states spent combined over $3.6 billion enforcing marijuana possession laws. The report also finds that, on average, a Black person is 3.73 times more likely to be arrested for marijuana possession than a white person, even though Blacks and whites use marijuana at similar rates.


5. See supra note 2 and accompanying text (citing federal law provisions that, read together, proscribe the personal use of marijuana).

6. See supra notes 1–2 and accompanying text (discussing the discrepancy between state and federal marijuana laws).

7. See Erwin Chemerinsky, Jolene Forman, Allen Hopper & Sam Kamin, Cooperative Federalism and Marijuana Regulation, 62 UCLA L. Rev. 74, 90–91 (2015) (“Even if the promise of federal nonenforcement were made permanent . . . federal prohibition operates to present substantial obstacles to businesses and adults seeking to implement and avail themselves of new state laws authorizing marijuana distribution and use.”); see also infra Part II.C (discussing the tensions between state and federal marijuana law).
help them navigate a complex and ever-changing regulatory landscape.\(^8\)

Largely overlooked in this regard has been the fact that federal intellectual property (IP) protection is generally not available to marijuana businesses. Because the bulk of IP law is federal, the federal marijuana prohibition means that much of IP law is unavailable or effectively inaccessible to the marijuana industry. Worse yet, marijuana businesses are denied the regulatory benefits of IP law while remaining subject to its burdens. This unavailability of IP protection produces two interesting consequences.

One is that the marijuana industry is being forced to turn to state-level IP and IP-like rights in an attempt to achieve what it cannot under federal law, or to strategically navigate the federal systems to obtain a modicum of protection.\(^9\) To the extent that federal protection is absent or ineffective for those in the marijuana industry, producers and retailers are increasingly relying on state IP rights, state consumer protection laws, and so on. But state IP doctrines and related regulations were not created for the purposes they are being asked to serve and are often poor substitutes for federal protection. Perhaps because state law is such a poor substitute for federal IP protection, marijuana businesses have found ways, albeit roundabout, to access federal law, in particular federal trademark protection. They do this by registering marks for consulting services, t-shirts, or other merchandise—all of which are perfectly legal under federal law—and then using these marks in connection with the sale of marijuana as well. We call this “trademark laundering.” It appears to be quite a widespread practice, and one that reflects in a straightforward way the relative inferiority of the state-level IP protections that are available to the marijuana industry.

The second result is a lesson about innovation in the absence of the full panoply of IP rights. Much has been written about the

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9. *Infra* Parts IV.C, V.C.
TRADEMARK LAUNDERING

importance of IP protection to encourage creativity, incentivize innovation, and protect the public;\textsuperscript{10} the monopolies conveyed by patent and copyright law are explicitly justified on these grounds in the Constitution itself.\textsuperscript{11} More recently, scholars have explored IPs “negative spaces,” or those areas in which there is innovation in the absence of IP protection.\textsuperscript{12} The marijuana industry may well be one of these areas. The unavailability of the full range of protections in this area—coupled with the explosive growth and innovation in the marijuana industry—create something of a natural experiment into the role federal IP protection actually plays in practice.

This Article proceeds in seven Parts. Part I traces the path of marijuana law reform in the states and the current status of its (quasi-)legality.\textsuperscript{13} This Part also briefly describes some of the problems that have arisen from the fact that the federal prohibition has remained intact while the states have begun to decriminalize marijuana. Parts II through V cover the three broad areas of federal IP protection—trademark, patent, and copyright—as they concern the marijuana industry.\textsuperscript{14} These Parts of the Article explain the extent to which each IP regime is available, or not, to the marijuana industry and the ways in which workarounds and alternatives are available and are being exploited. Part VI points out the challenge that the current state of affairs presents to the common wisdom regarding federal IP law. It is often posited that federal trademark and patent protections are necessary to protect and inform the public and to


\textsuperscript{11} See U.S. CONST. art. I, § 8, cl. 8 (granting Congress the power to “promote the progress of science and useful arts, by securing for limited times to authors and inventors the exclusive right to their respective writings and discoveries”). The federal trademark act, on the other hand, was passed pursuant to Congress’ Commerce Clause authority.


\textsuperscript{13} \textit{Infra} Part II.

\textsuperscript{14} \textit{Infra} Parts III–V.
encourage innovation and investment, respectively. The extent of innovation and investment in the nascent legal marijuana industry gives us reason to consider this conventional wisdom more skeptically. Part VII briefly concludes.

II. Marijuana Law Reform in the United States

A. Federal Prohibition/Piecemeal State Legalization

When Congress passed the Controlled Substances Act in 1970, marijuana was classified alongside heroin and LSD as a Schedule I drug—a drug with no approved medical use and a high potential for abuse. Although there is much reason to be skeptical of this designation, marijuana remains a Schedule I drug to this day. Like other Schedule I drugs, the production, distribution, and possession of marijuana is prohibited and subject to severe criminal penalties—the large-scale cultivation and distribution of marijuana can lead to imprisonment for twenty-five years to life in prison, as well as the forfeiture of

15. Supra note 10 and accompanying text.
16. See 21 U.S.C. § 812(b)(1) (2012) (defining Schedule I drugs as having a high potential for abuse and no currently accepted medical use); id. § 812(c), Schedule I(c)(17) (designating THC, one of the active ingredients in marijuana, as a Schedule I drug).
any assets used in the commission of a CSA violation.\textsuperscript{19} Attempts to challenge either marijuana’s place in Schedule I\textsuperscript{20} or Congress’s authority to regulate marijuana under the Commerce Clause\textsuperscript{21} have consistently failed.

Although the federal marijuana prohibition is the starting point for any discussion of marijuana’s legal status in the United States, it is far from the last word. Over the last twenty years, an increasing number of states have questioned their own marijuana prohibition statutes and have sought new ways of managing the drug.\textsuperscript{22} In 1996, California passed Proposition 215 by more than ten percentage points, becoming the first state in the union to permit the medicinal use of marijuana.\textsuperscript{23} Proposition 215 provided a defense to California’s criminal laws for those using marijuana for medical purposes and for those facilitating that use by others.\textsuperscript{24} It quickly became a model for other states.\textsuperscript{25}

It should be obvious to the reader already how different medical marijuana provisions such as Proposition 215 are from

\begin{itemize}
\item \textsuperscript{19} See \textit{18 U.S.C. § 981(a)(1)(B)(i) (2012)} (providing that property used in the “distribution of a controlled substance” may be “subject to forfeiture”).
\item \textsuperscript{20} See \textit{Americans for Safe Access v. DEA, 706 F.3d 438, 440 (D.C. Cir. 2013)} (finding that “the DEA’s decision declining to initiate proceedings to reschedule marijuana under the CSA was [not] arbitrary and capricious”);
\item \textsuperscript{21} See \textit{Gonzales v. Raich, 545 U.S. 1, 32–33 (2005)} (upholding—under the Commerce Clause—Congress’s authority to regulate marijuana, even marijuana grown at home for personal use).
\item \textsuperscript{22} See \textit{State Info, supra note 2} (providing an up-to-date list of state marijuana laws).
\item \textsuperscript{24} See \textit{CAL. HEALTH & SAFETY CODE § 11362.5(d) (2015)} (providing that California’s criminal provisions relating to marijuana shall not apply to “a patient, or to a patient’s primary caregiver, who possesses or cultivates marijuana for the personal medical purposes of the patient”).
\item \textsuperscript{25} See \textit{State Marijuana Laws, supra note 23} (“Since then, 22 more states, the District of Columbia and Guam have enacted similar laws.”).
\end{itemize}
the approach manifested in the CSA. By classifying marijuana in Schedule I, Congress made clear its view that marijuana is without valid medical use;\(^\text{26}\) by passing medical marijuana provisions, the several states have asserted exactly the opposite.\(^\text{27}\) Furthermore, the Supremacy Clause makes clear how this conflict must be resolved: in United States v. Oakland Cannabis Buyers’ Cooperative,\(^\text{28}\) the Supreme Court clarified that, even in a state that has adopted medical marijuana provisions, it is no defense in a federal prosecution under the CSA that the defendant was producing, distributing, or possessing marijuana for medical purposes.\(^\text{29}\)

But—though their practical impact is necessarily limited by the Supremacy Clause—medical marijuana provisions in the states are far from merely symbolic. Given the fact that the vast majority of drug enforcement is done at the state rather than federal level in this country,\(^\text{30}\) the increasing unwillingness of the states to participate in marijuana prohibition represents a significant impediment to the goals of the CSA. But it is also an impediment that the states are clearly permitted to create. The federal government is free to set federal policy with regard to drugs and can preempt inconsistent state laws if it chooses to do so.\(^\text{31}\) But it cannot conscript state law enforcement officials in the

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\(^\text{26}\) See supra note 8 and accompanying text (discussing why Congress regulates marijuana).

\(^\text{27}\) See supra note 17 and accompanying text (discussing the potential benefits of marijuana use and the trend of several states permitting such use).


\(^\text{29}\) See id. at 498–99 (holding that “the Court of Appeals erred by considering relevant the evidence that some people” use marijuana for medical reasons).

\(^\text{30}\) See Chemerinsky, supra note 7, at 84 (“Since the CSA’s implementation . . ., nearly all marijuana enforcement in the United States has taken place at the state level . . . [O]f the nearly 900,000 marijuana arrests in 2012, arrests made at the state and local level dwarfed those made by federal officials by a ratio of 109 to 1.”).

enforcement of federal law;\textsuperscript{32} while the Supremacy Clause is a powerful tool for the creation of uniform federal policy, its power is not without limit. The federal government can encourage state assistance in the enforcement of the CSA but it cannot conscript the state governments in those efforts.\textsuperscript{33}

Medical marijuana laws in the states have thus produced something of a standoff. The states are unable to use marijuana law reform to immunize their citizens from federal prosecution, and the federal government is either unable or unwilling to enforce federal law on its own.\textsuperscript{34} In 2012, two states, Colorado and Washington, brought this tension to a head when they legalized marijuana for all adults twenty-one and older.\textsuperscript{35} This new approach to marijuana regulation was probably most clearly stated in the title of Colorado’s provision: “The Regulate Marijuana Like Alcohol Act of 2012.”\textsuperscript{36} The idea, in other words,

\footnotesize{\begin{quote}
\textsuperscript{32} See New York v. United States, 505 U.S. 142, 175 (1992) (determining that allowing Congress to impose obligations on the state legislature ‘would ‘commandeer’ state governments into the service of federal regulatory purposes, and would for this reason be inconsistent with the Constitution’s division of authority between federal and state governments’); Printz v. United States, 521 U.S. 898, 933 (1997) (citing New York for the proposition that state law enforcement officials cannot be forced to implement federal programs).
\textsuperscript{33} See Chemerinsky, supra note 7, at 102 (“The federal government may not commandeer states by forcing them to enact laws or by requiring state officers to assist the federal government in enforcing its own laws within the state.”); Mikos, supra note 31, at 1446 (arguing that the anti-commandeering “rule stipulates that Congress may not command state legislatures to enact laws nor order state officials to administer them”).
\textsuperscript{34} See supra notes 1–15, 28 and accompanying text (discussing the tension between state and federal marijuana laws).
\textsuperscript{36} See COLO. CONST. art. XVIII
\end{quote}}

In the interest of the efficient use of law enforcement resources,
was to take marijuana off of the black market and out of the hands of gangs and smugglers and to create a robust regulatory and tax regime for its management.\(^{37}\)

**B. Federal Enforcement Pronouncements**

Given the clear inconsistency between the CSA and the states’ increasing tolerance of marijuana, the passage of legalization initiatives in Colorado and Washington raised the specter of federal intervention to prevent the implementation of these laws.\(^{38}\) Although the federal government cannot force the states to keep their marijuana prohibitions on their books or to cooperate with federal officials in the enforcement of the CSA,\(^{39}\) it is equally clear that the federal government retains the power to enforce the civil and criminal provisions of that Act even in those states choosing to legalize marijuana for some adults.\(^{40}\) Such enforcement—even if sporadic or incomplete—would likely cripple the states’ ability to achieve their marijuana law reform goals.

enhancing revenue for public purposes, and individual freedom, the people of the State of Colorado find and declare that the use of marijuana should be legal for persons twenty-one years of age or older and taxed in a manner similar to alcohol. In the interest of the health and public safety of our citizenry, the people of the State of Colorado further find and declare that marijuana should be regulated in a manner similar to alcohol . . . .


38. See Healy, supra note 35 (noting that “the larger, looming problem is a clash with the federal government, which still views marijuana as a Schedule I prohibited substance and has cracked down on states, like California and Montana, that have voted to allow medical marijuana”).

39. See supra notes 32–33 and accompanying text (discussing the limit of the federal government’s power to impose upon the states).

40. See, e.g., United States v. Oakland Cannabis Buyers’ Coop., 523 U.S. 483, 489–91 (2001) (finding that it is no defense in a federal prosecution under the CSA that the defendant was complying with state medical marijuana provisions).
Thus, the acquiescence of the federal government became a necessary element of law reform in the states: without it, any changes in state law would be effectively mooted. And at first, it seemed that the Obama administration was willing to allow state views on marijuana regulation to prevail. In 2009, a memo issued by Deputy Attorney General David Ogden touched off an explosion of marijuana entrepreneurialism in the states when it announced the Department of Justice’s view that those in clear compliance with state medical marijuana provisions should be a low priority target of limited prosecutorial resources. Although this was taken as a green light from the administration to open marijuana businesses to the public, another memorandum just two years later indicated that this had been an overreaction:

The Ogden Memorandum was never intended to shield such activities from federal enforcement action and prosecution, even where those activities purport to comply with state law. Persons who are in the business of cultivating, selling or distributing marijuana, and those who knowingly facilitate such activities, are in violation of the Controlled Substances Act, regardless of state law. Consistent with resource constraints and the discretion you may exercise in your district, such persons are subject to federal enforcement action, including potential prosecution. State laws or local ordinances are not a defense to civil or criminal enforcement of federal law with respect to such conduct, including enforcement of the CSA. Those who engage in transactions involving the proceeds of such activity may also be in violation of federal money laundering and other federal financial laws.

It would be another two years before the pendulum swung back. In the wake of the legalization initiatives in Colorado and

41. See Memorandum from David W. Ogden, Deputy Attorney Gen., Office of the Deputy Attorney Gen., U.S. Dep't of Justice, to Selected U.S. Attorneys 1–2 (Oct. 19, 2009) [hereinafter Ogden Memo], http://www.justice.gov/sites/default/files/opa/legacy/2009/10/19/medical-marijuana.pdf (“As a general matter, pursuit of these priorities should not focus federal resources in your States on individuals whose actions are in clear and unambiguous compliance with existing state laws providing for the medical use of marijuana.”).

Washington and medical marijuana provisions in a growing number of states, the Obama administration could no longer fall back upon the increasingly foggy line between medical marijuana on the one hand and commercial marijuana businesses on the other. In a series of memoranda issued in 2013 and 2014, the Obama administration made clear that, at least for the balance of its term, the federal government would take a hands-off approach to marijuana regulation in the states. James Cole released a second Memorandum on August 29, 2013, setting forth the eight enforcement criteria that U.S. Attorneys around the country should apply to marijuana enforcement before concluding:

In jurisdictions that have enacted laws legalizing marijuana in some form and that have also implemented strong and effective regulatory and enforcement systems to control the cultivation, distribution, sale, and possession of marijuana, conduct in compliance with those law and regulations is less likely to threaten the federal priorities set forth above . . . . In those circumstances, consistent with the traditional allocation of federal-state efforts in this area, enforcement of state law by state and local law enforcement and regulatory bodies should remain the primary means of addressing marijuana-related activity.

This second Cole Memo thus made clear what the Ogden memo only hinted: the federal government was willing to defer to state-level decisions regarding marijuana policy so long as the states were willing and able to meet certain policy goals. Other

43. See supra notes 2, 23–25 and accompanying text (discussing those states which have repealed their laws prohibiting marijuana).


45. Cole Memo II, supra note 44, at 3.
Obama administration announcements reiterated this solidification of a more permissive approach to the enforcement of the CSA. For example, on October 28, 2014, the administration issued a memorandum indicating that the same enforcement priorities that govern marijuana regulation in the states would apply in Indian Country as well, thus permitting Indian tribes to participate in marijuana law reform to the same extent as the states. Other unofficial statements by both President Obama and his then-Attorney General Eric Holder indicated their views that the marijuana experiment occurring in the states should be allowed to continue.

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46. See infra notes 47–48 and accompanying text (discussing memoranda issued by the federal government reflecting deferential views toward state marijuana laws).

47. See Wilkinson Memo, supra note 44, at 2 (noting that “the eight priorities in the Cole Memorandum will guide United States Attorneys’ marijuana enforcement efforts in Indian Country”).

48. See Matt Ferner, Eric Holder Signals Support for Marijuana Reform Just as He’s Heading out the Door, HUFFINGTON POST (Sept. 25, 2014), http://www.huffingtonpost.com/2014/09/25/eric-holder-marijuana-rescheduling_n_5884128.html (last visited Nov. 5, 2015) (noting that “Holder said that the Obama administration would be ‘more than glad’ to work with Congress to re-examine how cannabis is scheduled”) (on file with the Washington and Lee Law Review); Michelle Ye Hee Lee, Can Eric Holder Change the Federal Drug Classification of Marijuana?, WASH. POST (Feb. 26, 2015), http://www.washingtonpost.com/blogs/fact-checker/wp/2015/02/26/can-eric-holder-change-the-federal-drug-classification-of-marijuana (last visited Nov. 5, 2015) (“President Obama has said that he does not believe marijuana is more dangerous than alcohol.”) (on file with the Washington and Lee Law Review). The Obama administration also released a memo instructing banks on how they could do business with those in the marijuana industry. See Memorandum from James M. Cole, Deputy Attorney Gen., Office of the Deputy Attorney Gen., U.S. Dept of Justice, to All U.S. Attorneys (Feb. 14, 2014), http://www.justice.gov/sites/default/files/usaowdwa/legacy/2014/02/14/DAG%20Memo%20Guidance%20Regarding%20Marijuana%20Related%20Financial%20Crimes%202014%20282%2029.pdf (indicating when prosecutions of banks involved in the marijuana business may or may not be appropriate). As we'll see below, however, this memorandum was significantly less clear (and less permissive) than others written at the same time.
C. Continuing Tensions

Although the Obama administration’s change of heart with regard to criminal enforcement of the CSA has given some much-needed predictability to the development of marijuana law reform in the states, such certainty is at best fleeting. It is important to realize that none of the actions of the Obama administration actually legalize marijuana; at most, the administration’s pronouncements constitute a promise not to enforce the CSA (for now, against only some defendants, probably). And, of course, such promises are good only so long as the current administration is in power; a new president and attorney general will take office in January 2017, and they may have very different views about marijuana enforcement than do the current holders of those offices. Thus, even if the Second Cole Memo were in fact an enforceable promise not to prosecute anyone who is in compliance with robust state marijuana regulations (and it is not), it is anything but a permanent solution to the problem of marijuana’s complex legal status. In this section, we document some of these lingering tensions.

From the point of view of marijuana consumers, the fact that marijuana is still prohibited at the federal level means that choosing to purchase and consume marijuana necessarily entails legal risk. Probably the greatest of these risks is loss of employment. Take, for example, the case of Brandon Coats, a

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49. See Cole Memo II, supra note 44, at 4 (“This memorandum does not alter in any way the Department’s authority to enforce federal law, including federal laws relating to marijuana, regardless of state law.”).


51. See supra note 1 (citing federal law provisions that, read together, proscribe the personal use of marijuana).
quadriplegic employed by Dish Network in Colorado. Mr. Coats is also a medical marijuana patient who uses cannabis to control seizures. When Mr. Coats was drug tested by his employer, he predictably tested positive and was discharged for violating Dish Network’s zero tolerance policy for drug use. He sued under a Colorado statute, which prevents an employer from discharging an employee for engaging in “lawful off-duty conduct.” The Colorado Supreme Court unanimously rejected his claim:

The CSA lists marijuana as a Schedule I substance, meaning federal law designates it as having no medical accepted use, a high risk of abuse, and a lack of accepted safety for use under medical supervision. This makes the use, possession, or manufacture of marijuana a federal criminal offense, except where used for federally-approved research projects. There is no exception for marijuana use for medicinal purposes, or for marijuana use conducted in accordance with state law. Coats’s use of medical marijuana was unlawful under federal law and thus not protected by [the statute].

Although Coats v. Dish Network, LLC was an interpretation of a single statute in a single state, it nonetheless demonstrates the problems that continue to occur when a state authorizes that which the federal government continues to prohibit. Because a number of contracts—for public benefits, for commercial leases, for government work—or court orders—granting parole or probation, setting forth the terms of a custody arrangement, etc.—include a requirement to comply with all relevant and applicable laws or to comport one’s behavior to the law, marijuana use remains deeply problematic. If a person subject

52. See Coats v. Dish Network LLC, 350 P.3d 849, 850–51 (Colo. 2015) (describing the plaintiff, Mr. Coats, as having “been confined to a wheelchair since he was a teenager,” and having “worked for respondent Dish as a telephone customer service representative”).

53. See id. at 850 (noting Coats “obtained a state-issued license to use medical marijuana to treat painful muscle spasms caused by his quadriplegia”).

54. See id. at 850–51 (“On June 7, 2010, Dish fired Coats for violating the company’s drug policy.”).


57. See, e.g., Deborah M. Galvin, Workplace Issues Related to the Decriminalization/Legalization of Marijuana, SAMHSA (Sept. 2014),
to one of these agreements or orders chooses to use marijuana, the reasoning in Coats would dictate that she is not in compliance with the law and therefore subject to whatever sanctions are set forth for violating the underlying agreement or order.\(^{58}\) In other words, engaging in conduct that remains criminal (under federal law) can have significant negative repercussions even if, as we have seen, the risk of arrest and prosecution is currently vanishingly small.

For those not merely purchasing and using marijuana but choosing to participate in the licensed marijuana businesses springing up in the states, the situation is even more complicated. Running a commercial entity whose entire business constitutes an ongoing violation of the Controlled Substances Act is necessarily fraught. The continuing federal marijuana prohibition makes the running of a marijuana business far more complicated and risky than the operation of any other enterprise. Some of these problems derive directly from marijuana’s status as a Schedule I drug.\(^{59}\) For example, while the federal government has not been prosecuting those businesses for violating the CSA, civil suits pose an acute challenge.\(^{60}\) In early 2015, a pair of RICO lawsuits were filed against Colorado marijuana businesses and those who facilitated the construction and financed those businesses by neighbors who alleged that the defendants’ illegal conduct was causing them financial loss.\(^{61}\)

\(^{58}\) See Coats v. Dish Network LLC, 350 P.3d 849, 853 (Colo, 2015) (holding that “because Coats’s marijuana use was unlawful under federal law, it does not fall within section 24-34-402.5’s protection for ‘lawful’ activities”).

\(^{59}\) See generally 21 U.S.C. § 812(c), Schedule I(c)(17) (2012); supra note 1.

\(^{60}\) See infra notes 61–62 and accompanying text (discussing the harmful impact the potential for such suits has on marijuana businesses).

Although there are reasons to be skeptical about the ultimate ability of these plaintiffs to prevail, the specter of such suits and the cost of defending them operates as a serious drag on all existing and anticipated marijuana businesses.

Other problems associated with marijuana’s continuing prohibition are more ancillary but no less profound. Because their conduct is still regarded as criminal under federal law, marijuana businesses often find themselves operating in precarious financial circumstances. For example, on July 9, 2015, the Ninth Circuit upheld a tax court ruling against Martin Olive, the proprietor of a California marijuana club. The court held that § 280E of the tax code applies to marijuana businesses operating under the aegis of state law. Section 280E is a Reagan-era provision requiring those in violation of the CSA to pay tax on their ill-gotten income and denying them all deductions save for the cost of

62. See Sam Kamin, Can You Fight Marijuana Laws with RICO Suits, JURIST (Apr. 6, 2015, 3:50 PM), http://jurist.org/forum/2015/04/sam-kamin-marijuana-rico.php (last visited Oct. 29, 2015) (“[T]he RICO claims that have been brought to date are unlikely even to survive a motion to dismiss in their current form.”) (on file with the Washington and Lee Law Review); see also Robert A. Mikos, A Critical Appraisal of the Department of Justice’s New Approach to Medical Marijuana, 22 STAN. L. & POL’Y REV. 633, 649 (2011) (“[I]t seems highly unlikely that any plaintiff would have standing to bring the RICO claim. Nonetheless, I suggest the threat of civil RICO litigation poses an ongoing concern for marijuana dispensaries . . . .”).

63. See 26 U.S.C. § 280E (2012) (“No deduction or credit shall be allowed for any amount paid or incurred during the taxable year in carrying on any trade or business if such trade or business . . . consists of trafficking in controlled substances . . . .”).

64. See Olive v. Comm’r, 792 F.3d 1146, 1151 (9th Cir. 2015) (affirming the Tax Court’s conclusion that petitioner was precluded from deducting the ordinary and necessary businesses associated with his operation of the Vapor Room).

65. See id. (noting that § 280E “precludes Petitioner from deducting . . . the ordinary and necessary business expenses associated with his operation of the Vapor Room”).

66. See 26 U.S.C. § 280E (“[N]o deduction or credit shall be allowed for any amount paid or incurred during the taxable year in carrying on any trade or business if such trade or business (or the activities which comprise such trade or business) consists of trafficking in controlled substances . . . .”).
obtaining the goods sold.\footnote{67} Thus, a marijuana dispensary can deduct the wholesale cost of purchasing or manufacturing marijuana but cannot deduct the basic costs of running the dispensary itself—salary, insurance, electrical, rent, etc.\footnote{68} This can have a devastating effect on a marijuana business’s bottom line.

Further hampering the ability of marijuana businesses to function like any other is the general unavailability of banking services.\footnote{69} On February 14, 2014, the federal government released what is now generally known as the FinCEN memorandum, issued by the Treasury Department’s Financial Crimes Enforcement Network.\footnote{70} Although the memorandum was designed to clarify that “financial institutions can provide services to marijuana-related businesses in a manner consistent with their obligations to know their customers and to report possible criminal activity,”\footnote{71} in reality it did little to encourage federally regulated financial institutions to do business with the marijuana industry.\footnote{72} The FinCEN memo did describe the ways

\footnote{67 See Edward J. Roche, Jr., Federal Income Taxation of Medical Marijuana Businesses, 66 TAX LAW. 429, 437 (2013) (“The strong public policy grounds did not give Congress enough of a basis to consider eliminating the deduction for cost of goods sold.”).}

\footnote{68 See id. at 443 (“[S]ection 280E disallows any deduction for a medical marijuana sellers ordinary and necessary business expenses, [but] the legislative history excepts the cost of goods sold from this rule.”). The Senate Report on the passage of § 280E states, “To preclude possible challenges on constitutional grounds, the adjustment to gross receipts with respect to effective costs of goods sold is not affected by this provision of the bill.” S. REP. NO. 97-494 (Vol. I), at 309 (1982).}


\footnote{70 See id. at 1 (addressing financial institutions’ involvement with marijuana businesses).}


in which financial institutions could work with the marijuana industry, although the memo often seemed more cautionary than encouraging.\textsuperscript{73} As a result, although both marijuana businesses and their regulators are desperate for a way to find lawful banking services for the industry, marijuana remains largely a cash business with all of the negative connotations and risk that accompany such enterprises.\textsuperscript{74} Absent legislative change at the federal level, the banking problem for marijuana businesses is unlikely to go away any time soon.\textsuperscript{75}

Other aspects of everyday business operations are also denied to those working in the marijuana business. For example, something as simple as an enforceable contract may be beyond the reach of many marijuana businesses. Because contracts for illegal purposes are deemed unenforceable, any contract in the marijuana space, no matter how benign, can often be voided by one seeking to avoid its terms.\textsuperscript{76} Similarly, bankruptcy protections have been found unavailable to marijuana businesses that would otherwise qualify for them.\textsuperscript{77} Because bankruptcy is a federal benefit, courts have reasoned, those appearing before a

\begin{footnotesize}
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\item \textsuperscript{73} See FinCEN Memo, supra note 39, at 1 (“The Cole Memo reiterates Congress’s determination that marijuana is a dangerous drug and that the illegal distribution and sale of marijuana is a serious crime that provides a significant source of revenue to large-scale criminal enterprises, gangs, and cartels.”).
\item \textsuperscript{74} See Popper, supra note 72, at 1 (noting that until significant changes are made, marijuana businesses “may be stuck using cash”).
\item \textsuperscript{75} See id. (reporting on the decision of the Federal Reserve Bank of Kansas City not to give a Colorado marijuana credit union access to the Federal Reserve System).
\item \textsuperscript{76} See, e.g., Haberle v. Blue Sky, No. 11CV709 (Colo. Dist. Court Aug. 8, 2012) (finding a contract for the delivery of $40,000 worth of medical marijuana unenforceable under Colorado law); Hammer v. Today’s Health Care II, No. CV2011-051310 (Ariz. Sup. Ct. Apr. 17, 2012) (finding a loan agreement of $500,000 between two individuals and a Colorado medical marijuana dispensary unenforceable). But see COLO. REV. STAT. § 13-22-601 (2013) (noting that “[i]t is the public policy of the state of Colorado that a contract is not void or voidable as against public policy if it pertains to lawful activities authorized by” state marijuana regulations).
\item \textsuperscript{77} See, e.g., In re Rent-Rite Super Kegs W. Ltd., 484 B.R. 799, 805 (2012) (explaining that because a marijuana business is conducting operations that violate federal law, that business cannot benefit from the protections of federal bankruptcy law).
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federal court to request such a benefit must do so with clean hands. Thus, if a debtor has been in the business of violating federal law, or has even benefitted from the criminal violations of others, he will not be allowed to seek the benefits of the federal protection. Of course, if a marijuana business is a creditor of a party in bankruptcy, it is nonetheless subject to having its unsecured loans erased in bankruptcy along with those of other creditors. We will see this pattern—marijuana businesses being subject to a federal law's burdens but not able to take advantage of its benefits—recur when we turn to federal IP protections below.

Finally, and also of great significance for what follows, it is often difficult for marijuana business to access law and lawyers in the same way that other businesses do. This is because so long as marijuana remains illegal under federal law, there is a risk that those—such as lawyers—who facilitate the manufacture or sale of marijuana could be indicted as aiders and abettors or co-conspirators in violation of the CSA. So far, no lawyers have been charged under these theories, but even if no attorney is ever prosecuted under either of these theories, fundamental risks remain for those who represent marijuana businesses. For

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78. See id. ("[T]he Debtor's operations constitute a continuing criminal violation of the CSA and a federal court cannot be asked to enforce the protections of the Bankruptcy Code in aid of a Debtor whose activities constitute a continuing federal crime.").

79. See id. at 802 (noting that the debtor in Rent-Rite was not a licensed business but rather a commercial landlord who received 25% of his income from a marijuana business).

80. See infra Part III.B (explaining certain challenges that marijuana businesses face with federal law).

81. See, e.g., Kamin & Wald, supra note 7, at 886 ("[T]he criminal law punishes not just those who actively commit crimes but also those who aid and abet, or conspire with those who commit crimes. In particular, the CSA explicitly provides for the punishment of accomplices and co-conspirators[, including]...persons-landlords, wholesale suppliers, employees, and particularly lawyers....").

82. See id. at 894–95 (noting that a lawyer for a marijuana business risks being held liable as an accomplice or co-conspirator with his or her client marijuana company).

83. See id. (noting that there has not yet been a reported case of an attorney being prosecuted for his or her involvement in a marijuana company's violations of the CSA; however, there is no logical reason why accomplice or
example, the plaintiffs in the RICO lawsuits mentioned above could have used the same theory to name as defendants the attorneys who incorporated, wrote the construction contracts for, or otherwise advised the marijuana businesses alleged to be at the center of the RICO violations. While we believe that the RICO lawsuits are ultimately without merit, the increased risk (and expense) associated with such suits might be sufficient to deter some lawyers from representing marijuana clients.

Beyond any criminal or civil liability, however, an attorney’s ethical obligations may also be implicated by representing marijuana businesses. Model Rule of Professional Conduct 1.2(d) states that an attorney cannot “counsel a client to engage, or assist a client, in conduct that the lawyer knows is criminal or fraudulent.” This rule has been widely adopted; some version of it governs the conduct of lawyers throughout the country. A plain reading of this provision would seem to preclude lawyers from providing all but the most basic legal services to those they know to be engaged in violations of federal law. Because a
marijuana client is engaged in the violation of federal law, providing her with any legal services—writing leases, incorporating her business, and any other general business advice—facilitates the client’s ongoing criminal conduct and could be seen as violating the lawyer’s ethical obligations.90

As one of us has written, countervailing concerns militate against such a literal reading of the rule.91 Because marijuana law reform states—which have near exclusive jurisdiction over attorney licensing and discipline—have expressed a policy preference for marijuana regulation rather than prohibition, they have an obligation to make lawyers available to those seeking to comply with that state’s marijuana regulatory regime.92 Most states that have considered the issue have come to the same conclusion.93 They have generally permitted lawyers to assist

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90. See id. r. 1.2(d)

A lawyer shall not counsel a client to engage, or assist a client, in conduct that the lawyer knows is criminal or fraudulent, but a lawyer may discuss the legal consequences of any proposed course of conduct with a client and may counsel or assist a client to make a good faith effort to determine the validity, scope, meaning or application of the law.

91. See Kamin & Wald, supra note 8, at 907–08 (concluding that “limiting clients’ access to law and to lawyers is justified in more serious mala in se crimes”—murder, rape, robbery, and assault—“but not in mala prohibita crimes”—crimes that are deemed bad simply because they are prohibited, such as a violation of the CSA).

92. See id. at 871 (“Where a state has chosen to regulate marijuana as medicine or to tax and regulate it like alcohol, lawyers are a necessary part of the implementation of these policy decisions.”).

93. See Ill. State Bar Ass’n. Prof’l Responsibility Advisory Op. No. 14-07 (Oct. 2014) (“Given the conflict between federal and state law on the subject of marijuana as well as the accommodation provided by the Department of Justice, the provision of legal advice to those engaged in nascent medical marijuana businesses is far better than forcing such businesses to proceed by guesswork.”); WASH. RULES OF PROF’L CONDUCT r. 12(d) cmt. 18 (2015) (“[L]awyer[s] may counsel a client regarding the validity, scope[,] and meaning of Washington Initiative 502 . . . and may assist a client in conduct that the lawyer reasonably believes is permitted by this statute and the other statutes, regulations, orders, and other state and local provisions implementing them.”); State Bar of Ariz. Ethics Op. 11-01 (Feb. 2011) (“A lawyer may ethically counsel or assist a client in legal matters expressly permissible under the Arizona Medical Marijuana
marijuana businesses in engaging in conduct that complies with state law, at least so long as they are careful to inform their client that their conduct remains illegal under federal law.94

While most state ethics boards considering the issue have determined that it is ethical for lawyers to represent marijuana clients, an added wrinkle to the story makes the Colorado example a telling one. The Colorado Supreme Court, after much back and forth, added a comment to the state’s Rule 1.2(d) that permitted lawyers licensed by the state to assist clients in complying with state law:

A lawyer may counsel a client regarding the validity, scope, and meaning of Colorado [marijuana law] 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.95

This comment appeared to resolve the issue in the state by providing some assurance for lawyers representing marijuana clients in Colorado that they did not face discipline for their representation.96 That assurance was quickly undermined, however, when the Federal District Court of Colorado refused to

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94. See, e.g., WASH. RULES OF PROF’L CONDUCT r. 12(d) cmt. 18 (2015) (“[U]ntil there is a change in federal enforcement policy, a lawyer may counsel a client . . . and may assist a client in conduct that the lawyer reasonably believes is permitted by this statute and the other statutes, regulations, orders, and other state and local provisions implementing them.”); State Bar of Az. Ethics Op. 11-01 (Feb. 2011) (“A lawyer may ethically counsel or assist a client in legal matters expressly permissible under the Arizona Medical Marijuana Act . . . despite the fact that such conduct potentially may violate applicable federal law.”).

95. COLO. RULES OF PROF’L CONDUCT r. 1.2(d) cmt. 14 (2014).

96. See Kamin & Wald, supra note 8, at 886 (noting potential liability for lawyers involved with marijuana businesses).
adopt this comment in its own ethics code. The District of Colorado instead formulated its own rule, providing that the only ethical conduct a lawyer admitted to the federal bar may engage in with regard to her marijuana clients is advising “a client regarding the validity, scope, and meaning of Colorado [law],” with the caveat that “the lawyer shall also advise the client regarding related federal law and policy.” The other tasks a lawyer might be called upon to provide—everything from writing contracts to incorporating a business—are presumably unethical under the District of Colorado’s ethical rules.

Thus, a significant risk of professional discipline remains in effect for marijuana lawyers practicing in federal court and, indeed, anecdotal evidence indicates that a substantial number of lawyers—particularly those admitted to practice in federal court or in multiple jurisdictions—are hesitant or unwilling to represent marijuana entities. As we will see below, the unavailability of lawyers, particularly in a federal forum, has profound effects on the capacity of marijuana businesses to take advantage of federal IP protections.

It is against this background that we explore the interaction of marijuana law and policy and federal IP law. The basics of this interaction should already be apparent: because marijuana production, sale, and use remain illegal on the federal level, and because federal law is the basis of much of IP protection, marijuana practitioners will necessarily have restricted access to the federal IP regimes. In the Parts that follow, we discuss the

97. See D. COLO. STANDARDS OF PROF’L CONDUCT (2014) (explicitly not incorporating the state provision protecting lawyers representing marijuana businesses from liability).
98. Id. r. 2(b)(2).
99. See id. (noting the lack of a provision protecting lawyers representing marijuana businesses from liability).
101. See 21 U.S.C. § 812(b)(1) (2012) (defining Schedule I drugs as having a high potential for abuse and no currently accepted medical use); id. § 812(c), Schedule I(c)(17) (designating THC, the active ingredient in marijuana, as a Schedule I drug).
various kinds of IP protection—trademark, patent, and copyright—and the implications for the marijuana industry of the continuing federal prohibition.

III. Trademark Law and Regulated Marijuana Businesses

A. A Brief Background on Federal Trademark Law

Trademark protection derives from common law unfair competition and unfair trade practices doctrines and is animated in large part by the notions of protecting consumers from confusion, ensuring the integrity of the marketplace, and permitting businesses to protect the good will they manage to develop in their names and their brands. The modern federal trademark statute, the Lanham Act, was passed in 1946, pursuant to Congress’s Commerce Clause power, and it provides a federal cause of action for entities who believe that a competitor is causing “confusion” in the marketplace or is likely to cause such confusion.

Those seeking federal trademark protection may register their marks with the U.S. Patent and Trademark Office (USPTO). That registration provides legal benefits:
presumption of nation-wide rights, the right to use the trademark registration symbol—®—and notice to competitors of the use of the mark. 107 It is not necessary, however, to register a trademark with the USPTO in order to get protection. 108 The Lanham Act provides a federal cause of action for unregistered marks, and plaintiffs in those cases are entitled to the same range of remedies as those who have registered their marks with the USPTO. 109

In addition to the federal causes of action for both registered and unregistered marks, state law analogs remain available; the Lanham Act does not preempt state law trademark, unfair competition, or deceptive trade practices doctrines or statutes. 110 Given these two levels of trademark protection, entities may take a variety of approaches to securing trademark and trademark-like protection. Some firms seek to maximize their federal protection, registering marks and policing them carefully. 111 Others rely on the possibility of a federal cause of action but do not seek federal registration; suits for infringement of unregistered marks are commonplace. 112 In addition to the


107. See 15 U.S.C. § 1111 (2012) (noting that a registrant of a mark “may give notice that his mark is registered by displaying with the mark the words ‘Registered in U.S. Patent and Trademark Office’ or ‘Reg. U.S. Pat. & Tm. Off.’ or the letter R enclosed within a circle, thus ®”).


110. See 3 J. THOMAS MCCARTHY, MCCARTHY ON TRADEMARKS AND UNFAIR COMPETITION § 22:2 (4th ed. 2015) (“The federal Lanham Act does not occupy the field of trademark and unfair competition in such a way that it would preempt parallel state law.”); 20th Century Wear, Inc. v. Sanmark-Stardust, Inc., 747 F.2d 81, 92 n.15 (2d Cir. 1984) (“[T]he protection afforded by section 43(a) is ‘cumulative of, and does not preempt, the broader consumer-oriented remedies provided by the common law of unfair competition.’”).


112. See MCCARTHY, supra note 110, § 27:8 (“By the 1980s, § 43(a) had
federal protections, businesses often will also secure state trademark protection and, at times, take advantage of state common law and statutory causes of action along with, or instead of, available federal claims.\textsuperscript{113}

In order to acquire federal trademark protection—either to register a mark with the USPTO or to bring a Lanham Act claim for infringement of an unregistered mark—the owner must demonstrate that it is using in commerce, in connection with either goods or services, a mark that is “distinctive.”\textsuperscript{114} Distinctiveness means that consumers associate the mark with a particular source.\textsuperscript{115} The name “Apple,” used in connection with computers, for example, is distinctive, and therefore is a protectable trademark, because users regularly and automatically associate the name and logo with computers and attach goodwill to that association.\textsuperscript{116} In other words, no one thinks that the word “Apple” or the apple-shaped logo is related to the operation of the computer or makes it work better. Instead, the only function of the mark is to connect the good (the computer) with a particular source (the company) in the minds of consumers.

In addition to being distinctive, the mark must also be “used in commerce.”\textsuperscript{117} As mentioned above, the Lanham Act was become a much-used and potent statute. And effective in 1989, Congress put its stamp of approval on this trend by rewriting § 43(a) to codify the broadened scope of the section.

\textsuperscript{113} See generally Linda Lodenkamper, Trademark Protection for Small Businesses, 27 COLO. LAW. 57 (1998) (advising small businesses to take advantage of the full range of state and federal protections).

\textsuperscript{114} See MCCARTHY, supra note 110, § 11:2 (“Without achieving distinctiveness, either inherently or through the acquisition of secondary meaning, then a designation does not have the legal status of a ‘trademark’ or ‘servicemar.’ No distinctiveness—no mark.”).

\textsuperscript{115} See Wal-Mart Stores v. Samara Bros., 529 U.S. 205, 211 (2000) (noting that “a mark is inherently distinctive if its intrinsic nature serves to identify a particular source,” or “if it has developed secondary meaning, which occurs when . . . the primary significance of a mark is to identify the source of the product rather than the product itself”).


\textsuperscript{117} An entity may also register a mark before it is used in commerce based
passed pursuant to Congress’s commerce power, and as a result, a threshold question in considering a trademark application is whether the mark sought to be protected is in fact being used by the applicant in commerce. Furthermore, because Congress’s authority under the Commerce Clause extends only to interstate and foreign commerce, in applying to register a trademark or in asserting a claim of infringement, the mark owner must assert that it is using the mark in interstate commerce.

And, most relevant here, the USPTO has long applied an illegality doctrine, rejecting applications for marks used in connection with illegal activities. The USPTO has interpreted the “use in commerce” requirement to mean “lawful use in commerce.” Thus, a mark used in connection with illegal goods or services cannot be protected as it is not lawfully in use in commerce. It is this doctrine that has prevented marijuana businesses from acquiring federal trademark rights, at least in any kind of straightforward way.

B. Federal Trademark Law and Regulated Marijuana Businesses

For a few brief months in 2010, businesses that produced or sold marijuana legally (under state law) thought they had gotten on an “intent to use” standard that requires actual use within six months of the ITU application. Lanham Act, 15 U.S.C. § 1051(d)(1) (2012).

118. See id. (requiring a statement that the mark is being used in commerce).

119. See id. (noting the mark must specifically be used for interstate commerce).

120. See 15 U.S.C. § 1127 (2012) (“The word ‘commerce’ means all commerce which may lawfully be regulated by Congress.”); see also McCarthy, supra note 110, § 19:24

The Patent and Trademark Office (PTO) views the Lanham Act requirement of ‘use in commerce’ as reading ‘lawful use in commerce.’ A sale in interstate commerce in contravention of an Act of Congress is therefore not a lawful use in commerce and furnishes no basis for federal registration of a trademark on such a product.


122. Id.
lucky. The U.S. Patent and Trademark Office created a new “international class”—a new category—for marijuana products: “processed plant matter for medicinal purposes, namely medical marijuana.” A number of trademark applications were filed in this category, but the USPTO quickly reversed course, eliminated the new classification, and shortly thereafter began denying applications for marijuana products on the grounds that the drug is illegal under federal law.

Currently the USPTO rejects trademark applications for registration from growers, producers, and sellers of marijuana on the basis of this illegality doctrine. So, for example, the USPTO rejected the application for the mark “THE CANNY BUS”—used for a marijuana delivery service in California—because the mark “as used in connection with the services described in the application, is not lawful use in commerce.” The examiner in this case concluded that the services for which the mark was intended violated the Controlled Substances Act and that, therefore, the mark could not be registered.

The illegality doctrine thus poses great, possibly insurmountable, problems for the marijuana industry. So long as marijuana remains illegal under federal law, marijuana businesses cannot demonstrate that they are engaged in lawful commerce, and their applications for trademarks are now routinely denied. In the same way that a marijuana business cannot invoke the protections of a bankruptcy court because it is engaged in illegal activity, so trademark registration is

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124. Id.
125. See id. (noting the removal of the new marijuana classification).
126. See id. (noting that the UPSTO has reverted to its prior policy which disallows marijuana trademark applications).
128. Id.
129. See, e.g., In re Rent-Rite Super Kegs W., Ltd., 484 B.R. 799, 805 (Bankr. D. Colo. 2012) (explaining that a marijuana business conducts operations that
necessarily beyond the reach of marijuana businesses because their conduct violates federal law.

The quasi-legal status of marijuana in law reform states adds an additional complication. In Colorado, for example, state marijuana regulations prohibit carrying or shipping marijuana out of state. While marijuana may be sold within Colorado to those who live elsewhere, it may not be taken out of state with them when they leave. Thus, even assuming away the illegality problem, the question would arise whether the selling of Colorado marijuana in Colorado for consumption within Colorado would constitute “use in commerce” for trademark purposes. In other words, even if trademark law did not have an express illegality doctrine, would a marijuana business in Colorado, which is categorically prohibited from engaging in any kind of interstate activity, be able to assert before the USPTO that it was using the mark in commerce?

In González v. Raich, the Supreme Court held that the marijuana Angel Raich grew on her private property for her own medical use affected interstate commerce and therefore was permissibly regulated by Congress under the Commerce Clause. The Lanham Act, like the Controlled Substances Act, constitutes a continuing federal crime, and, therefore, a federal court cannot aid the debtor marijuana business by enforcing the protections of the Bankruptcy Code.


131. See COLO. REV. STAT. § 12-43.4-901(4)(f) (2015) (allowing non-residents to purchase no more than “a quarter of an ounce of retail marijuana and no more than a quarter of an ounce equivalent of a retail marijuana product during a single transaction”).


133. See id. at 28–29

One need not have a degree in economics to understand why a nationwide exemption for the vast quantity of marijuana . . . locally cultivated for personal use . . . may have a substantial impact on the interstate market for this extraordinarily popular substance. The congressional judgment that an exemption for such a significant segment of the total market would undermine the orderly
was enacted pursuant to Congress’s Commerce Power, but it is not clear whether Congress legislated to its full authority under the Constitution or if the phrase “use in commerce” is meant to have different meanings in different circumstances. That is, there may be conduct that falls under the meaning of commerce for CSA purposes—growing marijuana for personal consumption, say—but that is clearly insufficient to qualify as commerce under Lanham Act. For now, though, we will leave exploration of that unsettled question for future consideration.

Even if a marijuana business were somehow permitted to register a trademark with the USPTO, however, federal trademark law might nonetheless be inaccessible to the marijuana industry as a practical matter. Filing a federal trademark application requires a declaration by the owner that the mark is being used in interstate commerce in connection with the sale of goods or services. To so declare in the marijuana context would be an admission, under oath, that the owner of the mark is violating the Controlled Substances Act. Even with the Obama administration’s stated hands-off enforcement policy,


135. Gonzalez, 545 U.S. at 2.

136. Angel Raich probably could not have obtained a federal trademark registration, for example, and a single-location business that does not sell to out-of-state customers may also be ineligible.


139. See generally Ogden Memo, supra note 41 (instructing federal law enforcement not to focus their federal resources on those who are complying with state marijuana laws).
few people would want to make such an admission, and most lawyers are unlikely to recommend doing so.\textsuperscript{140}

That assumes, of course, that a marijuana business is able to find a lawyer willing to help it with its trademark needs.\textsuperscript{141} It is important to remember, as noted above, that marijuana businesses may have more difficulty than other businesses in finding lawyers willing to assist them in complying with state law and in securing IP rights.\textsuperscript{142} If some courts, like the Federal District Court in Colorado, declare that assisting marijuana businesses in their efforts to comply with state law constitutes an ethical violation,\textsuperscript{143} many lawyers will at least hesitate before taking on marijuana clients, and some will decline such representation altogether. Even if they are willing to represent clients in some matters, lawyers licensed to practice in federal court may be particularly unwilling to help clients with federal issues such as the registration and enforcement of trademarks.\textsuperscript{144}

In contrast to marijuana businesses, those who merely provide lawful services to marijuana businesses—who sell t-shirts with the word “marijuana” on them, or run organizations advocating the legalization of marijuana—\textit{have} received federal trademark registrations for marks that include the word “marijuana” and images of marijuana plants. For example, the mark “KITTYJUANA” was registered by a company selling catnip,\textsuperscript{145} as was the phrase “NO ONE BELongs IN JAIL FOR

\textsuperscript{140} See Kamin & Wald, \textit{supra} note 8, at 886 (noting potential liability for lawyers involved with marijuana businesses).

\textsuperscript{141} See \textit{id.} (describing why some lawyers would be unwilling to help with marijuana trademark applications).

\textsuperscript{142} See D. COLO. STANDARDS OF PROF’L CONDUCT r. 2(b)(2) (2014) (noting that a lawyer “may advise a client regarding the validity, scope, and meaning of [state marijuana laws and regulations] and other state or local provisions implementing them, and, in these circumstances, the lawyer shall also advise the client regarding related federal law and policy”).

\textsuperscript{143} See \textit{id.} (same).

\textsuperscript{144} Anecdotal evidence suggests exactly this. There are lawyers willing to take on marijuana clients, of course, but others are hesitant to do so because of the risks. See Kamin & Wald, \textit{supra} note 8, at 886 (noting potential liability for lawyers involved with marijuana businesses). And law firms that are not devoted entirely to representing marijuana clients may be particularly skittish.

\textsuperscript{145} KITTYJUANA, Registration No. 4445944.
MARIJUANA!”146 A company offering “cannabis advertising services” received a registration for the mark “MARIJUANA INTERNATIONAL.”147 Because these businesses are not using their marks in violation of federal law, the illegality doctrine does not apply, and these ancillary businesses are able to obtain trademark protection.

Current law thus creates an odd situation in which some players in the market for marijuana—those who provide ancillary products and services—may receive the protections of federal trademark law while those who grow, buy, and sell the actual product do not.148 If, as many people believe will happen,149 marijuana is eventually legalized at the federal level, the fact that the ancillary businesses have been able to build up goodwill in their marks during the time of federal prohibition will give them a significant advantage over the now fully legal marijuana producers and sellers. Those ancillary businesses may be in the position to expand their business to include the production and sale of marijuana under their long-held and well-recognized marks while those who have actually been engaged in the production of marijuana all along—and have taken the risks of violating federal law—will find themselves playing catch-up. In addition, although there is unlikely to be a shortage of trademarks in this industry, those marijuana businesses that have been unable to access the federal protections during prohibition will nonetheless be at a disadvantage in terms of selecting marks and establishing goodwill under those marks.

146. NO ONE BELONGS IN JAIL FOR MARIJUANA!, Registration No. 4372165.
147. MARIJUANA INTERNATIONAL, Registration No. 4110524.
148. See, e.g., KITTYJUANA, Registration No. 4445944 (showing how certain marks and images pertaining to marijuana have received trademark protection); NO ONE BELONGS IN JAIL FOR MARIJUANA!, Registration No. 4372165 (same); MARIJUANA INTERNATIONAL, Registration No. 4110524 (same).
In short, as a doctrinal matter, those who are engaged in producing and selling marijuana in the states where it has been legalized simply cannot access the federal trademark system today.\footnote{Lanham Act, 15 U.S.C. § 1051(a)(3)(c) (2012).} As a practical matter, however, it turns out that the federal registration system has not been entirely unavailable to marijuana businesses. Those businesses engaged in the marijuana trade in Colorado, Washington, California, and elsewhere have developed a strategy—we call it “trademark laundering”—that enables them, in the short run, to get some modicum of federal trademark rights and, in the long run, may enable later expansion and entry into broader markets, both geographically and with respect to the goods and services covered by the trademarks.\footnote{This may be an effective strategy, if the chances of further legalization seem good. Christopher J. Sprigman and Kai Raustiala have suggested that as goods or services move from the illicit to the licit, additional IP protections will follow: Medical Marijuana lies at the frontier of licit and illicit goods, and until that changes, courts are apt to find ways to avoid lending the business any additional legitimacy. So for the moment, the pot industry lacks many of the protections other products have against copying. Much the same used to be true for pornography—another field that went, more or less, from illegal to legal and along the way gained greater IP protections. Some 17 states, and the District of Columbia, permit medical uses of marijuana. If—or, more likely, as—this trend continues, IP protection is sure to follow. Christopher J. Sprigman & Kai Raustiala, \textit{Can Marijuana Brands Be Protected Against Copying?}, FREAKONOMICS (Aug. 22, 2012, 11:19 AM), http://freakonomics.com/2012/08/22/can-marijuana-brands-be-legally-protected-against-copying/ (last visited Oct. 15, 2015) (on file with the Washington and Lee Law Review).}

It is clear from federal registrations and from multiple anecdotal reports that marijuana businesses are engaging in what we term “trademark laundering.”\footnote{See Hilary Bricken, \textit{Dude, Where’s My Marijuana Trademark?}, ABOVE THE L. (Mar. 9, 2015, 4:20 PM), http://abovethelaw.com/2015/03/dude-wheres-my-marijuana-trademark/ (last visited Oct. 15, 2015) (noting that, while the U.S. Patent and Trademark Office “will not register cannabis product trademarks,” names referring to marijuana can be used to trademark, for example, clothing lines) (on file with the Washington and Lee Law Review).} Trademark laundering occurs when, rather than seeking federal trademark protection for marks used in connection with the production and sale of...
marijuana, businesses pursue protection for the use of their desired marks on, for example, t-shirts, pipes, or consulting services, but then use the mark in connection with the sale of marijuana as well. They file trademark applications for the licit uses and, as we have seen, registration for such marks is regularly granted by the USPTO. Marijuana businesses thus have, in fact, been able to secure federal trademark protection, and to do so while avoiding mention of their commercial activity involving marijuana. These marijuana businesses then use their federally protected marks in connection with the production and sale of marijuana as well as in connection with the goods or services for which the marks was originally registered. This strategy is trademark laundering: obtaining federal trademark protection for the use of a mark on certain permissible categories of goods and then using the mark on additional goods or services not mentioned in the trademark application and for which the

153. Id.

154. We have heard about this strategy from multiple sources, though it is not generally documented. Our understanding is that the USPTO has several examiners assigned to the applications submitted by marijuana businesses. Those examiners apparently will regularly ask whether the applicant is engaged in the manufacture, purchase, or sale of substances in violation of the Controlled Substances Act. Some lawyers we talked to indicated that their strategy in this situation was to emphasize, or clarify, that the application at issue was for the use of the mark in connection with perfectly legal goods or services.


marks would not have been granted. The expansion of the types of goods or services to which a mark is attached happens regularly, but the strategy of deliberately leaving certain goods off of the trademark application is more unusual.

This strategy serves both long-term and short-term goals for marijuana businesses. In the short term, a marijuana producer or retailer is able to obtain some of the protections of federal trademark law. The business has a federal registration that extends to some of its goods and services; other entities are put on notice of the use of the mark; and the business has presumptive nationwide rights for the mark, at least in connection with the goods or services included in the application.

In the longer term, trademark laundering provides a toehold and the possibility for expansion (both in the scope of the goods and services covered by the mark and geographically) for the marijuana business and, potentially, an opportunity to hold on to a mark in the event that federal law changes.

Practitioners in the area are quite savvy about both the long-term and the short-term benefits of trademark laundering. For example, one blogger recommends as follows:

Done right . . . it is sometimes possible to obtain registration for ancillary products that do not contain or facilitate the use of controlled substances. For example, if you produce marijuana-infused chocolates and you produce and sell chocolates that contain no marijuana, it may be possible to secure trademark registration that will pertain to the non-infused chocolates that you also sell.

This same commentator’s bottom line emphasizes the significance of the federal-state disparities in marijuana regulation: “Federal law prohibition of marijuana has greatly complicated the registering of marijuana trademarks, but, if anything, it has

157. Id.
158. We have heard no reports of misrepresentations being made to the USPTO. Instead, applicants focus on particularly categories of goods and services and do not mention marijuana.
increased the value of those marks that are properly secured.” 160 Another commentator is even more direct about this strategy: “If you are a small marijuana business looking to get bigger, you need to build your brand so that when cannabis is fully legalized and companies like Wal-Mart or Anheuser-Busch become interested, you will have a head start.” 161

In short, the apparent unavailability of federal trademark protection for marijuana businesses is not quite as absolute as the black letter law would imply. The current situation is hardly perfect, however, and leaves marijuana businesses in a significantly different situation than businesses selling fully legal products. The cobbled-together approach that marijuana businesses have taken can hardly be satisfactory from the marijuana industry’s perspective, and it is perhaps even more troublesome from a rule of law perspective. Even if a business has some elements of protection, those rights will be difficult, if not impossible, to vindicate in any real sense. In addition, even if a lawyer is willing to work with a marijuana business in some capacities, she may balk at being asked to participate in trademark laundering. Lawyers may wonder whether it is consistent with the duty of candor to the tribunal to respond to a

160. Id. This is common advice. Another blog advocates the same tactic:

“Entrepreneurs can register their product names with the secretary of state to help secure common law trademark protection,” said Chris Stanton, an associate at Merchant & Gould, an intellectual property firm in Denver. “As long as they sell items other than marijuana or products with marijuana as an ingredient, they can also seek federal trademark registration for the name of that product, which helps protect the brand and prevent other people from copying the name of the product anywhere in the U.S.,” he said.


161. See Hilary Bricken, Build and Protect Your Brand Now While Marijuana Is Still Illegal, CANNA L. BLOG (July 11, 2014), http://www.cannalawblog.com/build-your-brand-now-while-marijuana-is-still-illegal/ (last visited Aug. 6, 2015) (“Federal illegality, the dearth of supra-regional expansion possibilities, federal compliance regulations, and reputational concerns all conspire to keep large numbers of prospective participants out of the cannabis industry.”) (on file with the Washington and Lee Law Review).
trademark examiner’s question regarding her client’s business by focusing on the goods and services referenced in the trademark application when the client’s true interest is in branding the sale of marijuana.\textsuperscript{162} We do not resolve that ethical issue here, but such concerns will certainly dissuade some lawyers from representing marijuana businesses in such conduct.\textsuperscript{163}

Even when a marijuana business is able to obtain federal trademark protection for the use of a mark in connection with perfectly legal goods or services—and is then also able to use the mark in connection with the sale or purchase or production of marijuana—the short-term benefits may be relatively illusory. Marijuana businesses and their lawyers may be hesitant to appear in court, and access to federal court may be unavailable to lawyers representing marijuana clients.\textsuperscript{164} In Colorado, marijuana businesses have been willing to bring cases in state court,\textsuperscript{165} but because the federal court in Colorado has announced that representing marijuana clients is unethical, that forum may prove to be essentially closed to marijuana businesses.\textsuperscript{166} Thus, a marijuana business may be able to cobble together a federal trademark right but still not be in the position to obtain a federal trademark remedy.\textsuperscript{167}

\textsuperscript{162} See MODEL RULES OF PROF’L CONDUCT r. 3.3 (AM. BAR ASS’N 1983) (discussing the duties placed upon attorneys to not act with ulterior motives regarding client representation).

\textsuperscript{163} Supra notes 81–99 and accompanying text.

\textsuperscript{164} See supra Part II (discussing the ethical concerns—generated mainly by the fact that marijuana is a federally criminalized substance—facing attorneys representing marijuana businesses).

\textsuperscript{165} Westlaw and LexisNexis searches for cases filed in Colorado courts showed that since roughly 2011, nineteen admitted marijuana business owners, most of whom run medical marijuana shops, brought civil actions, alleging breach of contract or challenging city and county zoning ordinances that restrict marijuana sales. The same searches turned up only seven such cases in federal district court. Additionally, a Colorado Court Records search showed that since 2010, eight businesses with the word “cannabis” in their name and one business with the word “marijuana” in its name filed civil cases in Colorado courts.

\textsuperscript{166} See supra Part II (noting ethical rules that might preclude or dissuade lawyers from taking on marijuana clients).

\textsuperscript{167} The federal courts do not have exclusive jurisdiction over federal trademark claims, but such claims have rarely been litigated in state court. About Trademark Infringement, U.S. PAT. & TRADEMARK OFF., http://www.uspto.gov/page/about-trademark-infringement (last visited Nov. 12,
Even in states where the federal courts have not explicitly discouraged lawyers from representing marijuana businesses, federal trademark rights for marijuana businesses may still be difficult to enforce. Marijuana businesses may well prefer not to risk exposure, negative publicity, or the possibility of making bad law in court. This hesitation may well embolden infringers. Anecdotally, we have heard of just this sort of behavior: infringers believe that marijuana businesses do not dare to file infringement claims and thus use confusing marks more flagrantly than they would in another context. Again, although marijuana businesses may have—somewhat attenuated—trademark rights, the fact that their conduct is criminal in the eyes of a federal court may mean they have no effective avenue for vindicating those rights.

The confluence of these factors means that marijuana businesses, operating legally within a state while still in violation of federal law, are not able to benefit fully from the protections of federal trademark law. It is important to note that while marijuana’s illegality at the federal level denies marijuana businesses the sword of trademark rights and enforcement (suing to protect their marks), it does not provide them with a shield (a defense against the infringement of another’s mark). In other words, marijuana businesses will bear the full burden of federal trademark laws when facing infringement lawsuits in federal court but cannot reap the benefits of those same laws. For example, a Colorado company was sued for violating the trademark of the Hershey brand—for making “Reefer’s” peanut butter cups that closely resembled Hershey’s Reese’s Peanut Butter Cups. It was obviously no defense for the Colorado


168. Based on conversations with California lawyers representing marijuana businesses.

169. See Miriam D. Trudell, Marijuana in the U.S.—Some States Let You Smoke It, But You Can’t Register a Trademark for It at the USPTO, 70 INT’L TRADEMARK ASSOC. BULL. 1 (2015) (“[P]olicing of trademarks that include the sale or transportation of marijuana is limited to lawsuits filed in state court based upon state trademark rights.”).

company that its product was being sold in violation of federal law; the defendant reached a settlement with Hershey’s and almost certainly would have been found liable for trademark infringement had the case gone to court. But if another company were using a mark that caused confusion with the “Reefer’s” mark, the marijuana business would have no recourse under federal law. Just as with bankruptcy protection, marijuana businesses are subject to the burdens of federal law but cannot invoke the benefits provided by that same law.

C. State Law Alternatives to Federal Trademark Protection

Both formally and in practice, federal trademark law is generally unavailable to those who produce and sell marijuana legally in Colorado, Washington, and the other states that have legalized marijuana. But, of course, there are alternatives to federal trademark protection. Trademark law grew out of common law unfair competition doctrines and is fundamentally concerned with protecting consumers and the goodwill of businesses.171 State trademark and trade name protection were the precursors of the federal act and continue to operate in similar ways today.172 Trade secret law, a creature wholly of state, rather than federal, law provides a cause of action against certain forms of unfair competition.173 State unfair or deceptive trade practices acts also exist in most states in one form or

2015) (discussing the settlement of a lawsuit filed by Hersey against two companies—Conscious Care and TinctureBelle—for creating products that parodied some of Hershey’s brand name candies) (on file with the Washington and Lee Law Review).


172. See Lanham Act, 15 U.S.C §§ 1051–1141(n) (codifying the federal law with regard to trademarks).

173. Trade secrets law is alternative to both federal trademark law and federal patent law. Although the more direct corollary is patent law, trade secret law has as one of its goals policing the marketplace or maintaining “higher standards of commercial morality.” E.I. DuPont De Nemours & Co. v. Christopher, 431 F.2d 1012, 1015 (5th Cir. 1970).
TRADEMARK LAUNDERING

another. But while marijuana businesses in the states that are regulating, rather than prohibiting, marijuana have access to these state level protections, these options are certainly not the same as having access to the full range of federal trademark rights. Of greatest significance is the fact that state protections extend only to the borders of the state. State trademark rights protect businesses only within that state and for marijuana businesses in particular, other states’ courts may not be friendly fora.

State level trademark and trademark-like rights are abundant, and the evidence indicates that marijuana businesses are taking advantage of these avenues for protection. For example, there are nearly 700 trade names registered with the Colorado Secretary of State, and over 200 trademark registrations that include the word “marijuana” or a synonym or other indication that the company is marijuana business. Evidence from the marketplace also indicates that marijuana businesses are investing in building brands and in intensive marketing efforts. For example, Dixie Elixirs, a Colorado company, has a very sophisticated web presence, professional advertising and logos, uses the ™ symbol, and sells a variety of

174 For a few examples, see Colorado Consumer Protection Act, COLO. REV. STAT. § 6-1-101 et seq. (2014) (including a provision regarding passing off of goods and services); CAL. BUS. & PROF. CODE § 17200 (including a provision regarding “fraudulent” business acts and “unfair, deceptive, untrue, or misleading advertising”).

175 See U.S. PAT. & TRADEMARK OFF., PROTECTING YOUR TRADEMARK 9 (2014), uspto.gov/sites/default/files/trademarks/basics/BasicFacts.pdf (noting that the benefits of federal registration include:

[a] legal presumption of your ownership of the mark and your exclusive right to use the mark nationwide on or in connection with the goods/services listed in the registration (whereas a state registration only provides rights within the borders of that one state, and common law rights exist only for the specific area where the mark is used).

176 In July 2015, a search of the Colorado Secretary of State’s database revealed nearly 700 trade names that either include the word “marijuana” or synonyms like “cannabis,” “ganja,” or “Mary Jane,” or include a word like “dispensary,” which is often associated with marijuana sales. Additionally, a search on the same website of business names registered for retail marijuana sales turns up about 550 trade names and about 125 trademarks that do not include the word “marijuana” or common synonyms.
branded items, which they call “swag.”\(^\text{177}\) The use of the \(^\text{TM}\) symbol demonstrates an invocation of federal law; by definition, this symbol represents an effort to acquire federal trademark rights (even though these rights are currently unavailable for some of Dixie’s products). But in addition to this assertion of federal trademark rights, Dixie and other marijuana businesses also appear to be utilizing state law to the extent possible.\(^\text{178}\)

Marijuana businesses register their trade names and trademarks within the state; they advertise, they offer promotions, and they seem to be willing to take advantage of state law. For example, they are willing to file suit as plaintiffs in state court.\(^\text{179}\) Marijuana legalization is still a relatively new phenomenon, and few filed cases ever make it all the way through the litigation process, but the published opinions, the filing records, and anecdotal evidence indicate that both marijuana businesses and their lawyers in Colorado, at least, feel comfortable taking advantage of state courts and state doctrines and statutes.\(^\text{180}\)

But, at the risk of discounting the protections that these various doctrines provide, they leave significant gaps for the marijuana industry; at least as a relative matter, the marijuana industry is at a disadvantage as compared to other fully legal businesses and even when compared to ancillary marijuana businesses. Furthermore, it will be more difficult for a marijuana


\(^{178}\) “Dixie Elixirs” is a registered trade name in Colorado, although the company does not have a registered trademark in the state. See Trade Name Summary for Dixie Elixirs, COLO. SECY OF STATE, http://www.sos.state.co.us/biz/AdvancedSearchCriteria.do (click the “trade name” box and enter “dixie elixirs”) (last visited Nov. 12, 2014) (listing Dixie Elixirs as a registered trade name) (on file with the Washington and Lee Law Review).

\(^{179}\) More than one thousand Colorado residents have registered trade names or trademarks associated with marijuana-related businesses. The twenty-eight civil cases involving marijuana-related businesses that turned up in keyword searches are likely only a portion of those actually filed, since full filing records are only searchable by party name or case number.

\(^{180}\) In the twenty-eight cases that turned up in keyword searches, at least one party admitted in court documents to operating a business associated with medical or retail marijuana. In fourteen of those cases, both parties admitted to being involved with marijuana related business.
business than for another type of business to expand its trademark use outside of one state if the federal prohibition is eased. Differences among state laws may mean that businesses operating in multiple states will have to navigate a variety of procedures and doctrines (rather than being able to access the uniform federal law). Finally, as discussed above, marijuana businesses face an access to law and lawyers problem: they are essentially barred from the federal courts, and they face difficulties in securing lawyers to help them navigate this unusually difficult legal landscape.

IV. Patent Law and Legalized Marijuana

For many businesses, patent law provides an important vehicle for the protection of assets. Particularly in our high technology economy, inventions—good ideas embodied in a new device, a new drug, or a new algorithm—may be more valuable than tangible things and more valuable than the brick-and-mortar stores in which the things are sold. But even though patent law does not have the same explicit illegality doctrine as federal trademark law does, it is almost as elusive and almost as useless for the marijuana industry as trademark law.

181 See supra Part II (discussing the difficulty experienced by marijuana business owners when attempting to acquire legal representation); supra notes 162–163 and accompanying text (discussing the potential ethical problems that marijuana litigation creates).


184 See Ryan Davis, Marijuana Patent Applications Face Tough Road at USPTO 1 (2015), https://www.cooley.com/files/Law360-MarijuanaPatentApplicationsFaceTough%20RoadAtUSPTO.pdf (noting that, while it may be difficult to patent a strain of marijuana, the USPTO has accepted patents for
A. A Brief Patent Law Background

The current version of the federal Patent Act, 185 passed in 1952 and amended many times since, provides twenty years of protection to “new,” 186 “useful,” 187 “nonobvious” 188 inventions—“process[es], machine[s], manufactur[es], or composition[s] of matter.” 189 In order to get a patent, an application must be filed with the USPTO. 190 In the application, the applicant must describe and “enable” the invention in a way that allows others to, without excessive difficulty, reproduce the invention based on the written submission. 191 If granted, a patent provides a strong set of protections for the patent holder. 192 The patent holder may keep others from making, using, or selling the invention and, in

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186. See id. § 102(a) (setting forth the definition of “novelty”).
187. 35 U.S.C. § 101 (2012). Patent law does not have an illegality doctrine, but it does require that an invention be “useful” in order to be patented. Id. As currently formulated, the utility doctrine does not present a particularly high hurdle. See Panduit Corp. v. Stahlin Bros. Fibre Works, Inc., 298 F. Supp. 435, 442 (W.D. Mich. 1969), aff’d, 430 F.2d 221 (6th Cir. 1970) (“Utility, within the meaning of the patent statute, means that the object of the patent is capable of performing some beneficial function claimed for it.”). There is a version of the utility doctrine termed “moral utility” that prohibited the patenting of illegal or illicit devices or processes. Application of Nelson, 280 F.2d 172, 179 (C.C.P.A. 1960) (“Anything is useful which is not entirely frivolous or worthless, and not detrimental to the well-being, or injurious to the morality of the public, or of a character to mislead the public to its disadvantage.” (emphasis added)). The moral utility doctrine has been largely discredited. Juicy Whip v. Orange Bang, 185 F.3d 1364, 1367 (Fed. Cir. 1999). Even so, there is no reason why it could not at some point be revitalized.
189. Id. § 101.
some cases, similar inventions as well, for twenty years.\textsuperscript{193} And there are few defenses to a claim of patent infringement.\textsuperscript{194} For example, even if someone else independently came up with the same invention, she may not exploit it without the patent holder’s permission.\textsuperscript{195} There is no fair use defense, and even the experimental use defense is narrowly drawn.\textsuperscript{196} For many inventors and firms, the appeal of the federal patent system is obvious.

However, patent protection is not without its costs, financial and otherwise. The process typically takes approximately three years and can easily cost the applicant $10,000 or more.\textsuperscript{197} Furthermore, it is rare that an application goes smoothly through the USPTO on a first attempt.\textsuperscript{198} Instead, it must often be amended, sometimes more than once, and many applications are ultimately rejected.\textsuperscript{199} In addition, once an application has been on file with the USPTO for eighteen months, it becomes public.\textsuperscript{200} This means that the applicant forfeits any trade secret protection

\textsuperscript{194} See id. § 282(b) (providing defenses such as “noninfringement, absence of liability for infringement or unenforceability” and “invalidity of patent or claim”).
\textsuperscript{195} See id. (excluding defenses for independent inventions or reverse engineering).
\textsuperscript{196} See id. (failing to include a fair use defense).
\textsuperscript{198} See Dennis Crouch, Percentage of Patents that Were Initially Rejected, PATENTLYO (Apr. 3, 2009), http://patentlyo.com/patent/2009/04/percentage-of-patents-that-were-initially-rejected.html (last visited Jan. 8, 2016) (citing a study finding that, of a group of patents, 95% “were initially rejected before being eventually allowed”) (on file with the Washington and Lee Law Review).
\textsuperscript{200} See INVENTORS GUIDE, supra note 197, at 23 (noting that the patent application is held confidential for the eighteen months after the original filing); 35 U.S.C. 122(b)(1)(a) (2012) (“[E]ach application for a patent shall be published . . . promptly after the expiration of 18 months from the earliest filing date . . . .”).
in the subject matter, even if the application is ultimately rejected.\textsuperscript{201} Thus, the inventor must make an election between the protections of federal patent law and state trade secret law—if she reveals her invention to the USPTO in a patent application, she is not treating the invention as secret and will lose her state-level protection.\textsuperscript{202} To be sure, there are some circumstances in which state trade secret may be preferable to federal patent protection.\textsuperscript{203} But while patent protection is not right for every invention, and while it is out of reach for some inventors and businesses, patents can be valuable assets for many companies, and, for some, the cornerstone of their business.\textsuperscript{204}

Generally speaking, the goals animating the patent system differ fundamentally from those of the trademark regime. The Patent Act was passed pursuant to Congress's authority under

\begin{itemize}
\item \textsuperscript{201} See Published Patent Application Access and Status Information Sheet for Members of the Public, U.S. PAT. & TRADEMARK OFF., http://www.uspto.gov/patents-application-process/patent-search/published-patent-application-access-and-status-information (last visited Oct. 20, 2015) [hereinafter Published Patent Application and Status Information Sheet] (“If the application is abandoned, the entire application[—]except in the situation where the publication was a redacted publication[—]is available to the public for inspection and for making copies through the File Information Unit (FIU).”) (on file with the Washington and Lee Law Review). Patent protection and state trade secret protection are mutually exclusive, so an inventor must make a choice as between state trade secret protection and patent protection. See Brian J. Love & Christopher B. Seaman, Best Mode Trade Secrets, 15 YALE J.L. & TECH. 1, 3 (2012) (“Traditionally, trade secrecy and patent rights have been considered mutually exclusive. Trade secret rights are premised on secrecy. Without it, they evaporate. Patent rights, on the other hand, require public disclosure. Absent a sufficiently detailed description of the invention, patents are invalid.”). Love and Seaman also note that this may be changing, but the basic principle persists. \textit{Id}.
\item \textsuperscript{202} See 35 U.S.C. § 122 (patent applications published after 18 months); UNIF. TRADE SECRETS ACT § 1(4) (UNIF. LAW COMM’N 1985) (defining a trade secret as “information” that is valuable by virtue of being “not generally known to, and not readily ascertainable by proper means by, other persons”).
\item \textsuperscript{203} See Aaron D. Hall, Trade Secret Protection Versus Patent Protection, THOMPSON HALL LLP, http://thompsonhall.com/trade-secret-protection-versus-patent-protection/ (last visited Mar. 29, 2016) (“In some instances, trade secret protection can be the most effective form of software protection because its protection is immediate and can be perpetual in duration.”) (on file with the Washington and Lee Law Review).
\item \textsuperscript{204} See Berman, supra note 183 (providing a chart of Fortune 500 companies and their respective profits on patents).
\end{itemize}
the Patent and Copyright Clause of the Constitution, and that provision sets forth an explicit utilitarian approach to patent and copyright protection: Congress has the authority “to promote the progress of science and the useful arts, by securing for limited times to authors and inventors the exclusive right to their respective writings and discoveries.” The basic notion animating patent and copyright protection is that it is necessary to grant exclusive rights to authors and inventors in order to encourage them to create and invent and then to share those creations and inventions with the public. In the absence of such rights, the theory goes, we will not achieve the optimal level of innovation or creativity. This theory does not assume that absolute or perpetual rights are necessary, however, and indeed the Patent and Copyright Acts both contain a variety of limits on the rights of owners, and both sets of rights are limited in time, as demanded by the Constitution.

B. Patent Law and the Marijuana Industry—Gray Areas and Useless Patents

While it is possible for a marijuana business to obtain a patent for a new strain of marijuana, for a new method of extracting THC from marijuana, or for a device to vaporize marijuana extracts for ingestion, there are a variety of practical obstacles to the effective exploitation of patent law by the marijuana industry. There are risks in filing for and taking ownership of a marijuana patent. The USPTO could begin

206. See, e.g., Jeanne C. Fromer, Expressive Incentives in Intellectual Property, 98 Va. L. Rev. 1745, 1746 (2012) (“According to the dominant American theory of intellectual property, copyright and patent laws are premised on providing creators with just enough incentive to create artistic, scientific, and technological works of value to society at large by preventing certain would-be copiers' free-riding behavior.”).
207. See id. at 1751 (“Without this incentive, the theory goes, authors might not invest the time, energy, and money necessary to create these works because they might be copied cheaply and easily by free riders, eliminating authors' ability to profit from their works.”).
208. See U.S. CONST., art. I, § 8, cl. 8 (“For Limited Times . . . .”).
implementing some version of an illegality doctrine, if it has not already done so informally. And, finally, as with trademark law discussed above, for a patent holder, federal courts are largely unavailable to marijuana businesses because of the ethical obstacles for their lawyers. Moreover, in contrast with trademark law, there are few plausible state-level alternatives to patent protection. Thus, marijuana businesses are largely excluded from what is almost certainly the strongest form of IP protection.

The first problem for a marijuana business seeking to patent a marijuana strain or a marijuana-related device or method flows directly from the federal marijuana prohibition. There is some risk to the marijuana practitioner in simply filing a patent application. This risk is not as substantial as the one presented by trademark law in which the applicant must attest to using the mark in commerce (and therefore admits to violating the Controlled Substances Act), but a patent application would nonetheless provide a federal prosecutor with a great deal of evidence indicating that the applicant was violating the CSA. As part of patent application, the applicant must describe the invention in detail, and “enable” the invention. The written

209. See Controlled Substances Act, 21 U.S.C. § 811 (2012) (criminalizing marijuana); 35 U.S.C. § 112(a) (2012) (listing the requirements to secure a patent). Section 112(a) includes the written description requirement and the enablement requirement. Id. The Federal Circuit has emphasized that the two are distinct requirements. See Ariad Pharms., Inc. v. Eli Lilly & Co., 598 F.3d 1336, 1352 (Fed. Cir. 2010) (en banc) (confirming that, while the two requirements are one in the same, they are necessarily distinct).

210. See 35 U.S.C. § 112(a) (providing specification requirements for patents); id.

The specification shall contain a written description of the invention, and of the manner and process of making and using it, in such full, clear, concise, and exact terms as to enable any person skilled in the art to which it pertains, or with which it is most nearly connected, to make and use the same, and shall set forth the best mode contemplated by the inventor or joint inventor of carrying out the invention.

See also AbbVie Deutschland GmbH & Co. v. Janssen Biotech, Inc., 759 F.3d 1285, 1298 (Fed. Cir. 2014) (“The essence of the written description requirement is that a patent applicant, as part of the bargain with the public, must describe his or her invention so that the public will know what it is and that he or she has truly made the claimed invention.”).

211. See 35 U.S.C. § 112(a) (including the written description requirement
description requirement involves a demonstration that the applicant “possesses” the invention. While “possession” in patent law has acquired a different meaning from “possession” in criminal law, the facts demonstrating the former may be relevant to proving the latter. To our knowledge, no federal prosecutions have used this form of evidence against a marijuana business, but a cautious patent lawyer might well advise a marijuana client that the risk is nonetheless present.

The patent application process creates risks for the lawyer as well. The USPTO Rules of Professional Conduct are modeled on the American Bar Association’s Model Rules of Professional Conduct. As we have seen, assisting a marijuana business in conducting its business affairs, including applying for a patent, could under some circumstances be deemed both a violation of the Controlled Substances Act and an instance of professional misconduct. Although there has yet to be an interpretation of the USPTO Rules with regard to the conduct of marijuana practitioners, we have seen that at least one federal court has held that all but the most basic legal representation of marijuana businesses is unethical conduct. In light of this risk, patent attorneys—whose entire practice might be in federal court—may simply choose not to take marijuana entities as clients.

and the enablement requirement). The Federal Circuit has emphasized that the two are distinct requirements. See Ariad, 598 F.3d at 1341 ("The essence of the written description requirement is that a patent applicant, as part of the bargain with the public, must describe his or her invention so that the public will know what it is and that he or she has truly made the claimed invention.").

212. Ariad, 598 F.3d at 1371–72 (noting that the description must “convey with reasonable clarity to those skilled in the art that, as of the filing date sought, he or she was in possession of the invention, and demonstrate that by disclosure in the specification of the patent”).

213. See Possession, BLACK’S LAW DICTIONARY (10th ed. 2014) (defining possession as “the fact of having or holding in one’s power; the exercise of dominion over property”).


215. See MODEL RULES OF PROF’L CONDUCT r. 8.4 (AM. BAR ASS’N 1983) (providing that it is professional misconduct to “commit a criminal act that reflects adversely on the lawyers honesty, trustworthiness or fitness as a lawyer in other respects”).

216. Supra note 106 and accompanying text.
A second issue also arises directly from the federal prohibition. Patent law is exclusively a creature of federal law and patent suits can be brought only in federal court. However, the federal courts may be a particularly unappealing venue for a marijuana business. As we saw in the bankruptcy context, a federal court may be quite unwilling to give equitable relief to a party whose sole business consists of violating the Controlled Substances Act. If a marijuana plaintiff seeks damages, a court will almost certainly balk at the prospect of awarding her lost profits because those profits would be the fruit of a violation of federal law.

It is not just the marijuana clients who are at risk if they appear in federal court; their lawyers also face significant hurdles. As we have seen generally and in the trademark context, lawyers who represent marijuana businesses risk professional discipline if they appear in federal court. Just as with a trademark infringement suit in federal court, a lawyer bringing a patent infringement suit on behalf of a marijuana client may be subject to the ethical rule stating that such representation is an ethical breach. Thus, although not explicitly banned from the federal courts, marijuana businesses in some instances and in some states are effectively denied access to those courts (except, of course, as a defendant in a civil or criminal proceeding).

As a result, even if a marijuana business is able to secure a patent, it may end up being an illusory benefit. Even though it

218. See supra Part II.C (discussing the ramifications of the federal criminalization of marijuana on bankruptcy, trademark, and patent litigation).
219. See supra notes 78–79 and accompanying text (discussing the marijuana business in the bankruptcy context).
220. See infra notes 221–222 and accompanying text (describing some of the issues facing attorneys who assist marijuana clients).
221. See supra Part II (discussing, among other things, the ethical concerns involved in representing a client attempting to trademark her marijuana business).
222. See supra note 138 and accompanying text (noting that it might be considered not just an ethical breach but also a violation of the Controlled Substances Act for aiding and abetting a federal drug violation).
theoretically creates an enforceable right, the continuing federal prohibition operates as a substantial impediment to the enforcement of that right and to the possibility of a remedy.\(^{223}\) Once again, in the patent context, note that marijuana businesses are subject to the burdens of federal law, but cannot invoke its benefits—a marijuana business can be sued for infringing another’s patent, but faces substantial obstacles in vindicating its own patent rights.\(^{224}\)

C. State Law Alternatives to Federal Patent Law

While the hurdles to obtaining patent protection do not create an absolute barrier as they do as a doctrinal matter in the trademark law context, federal patent law is far from an effective tool for the marijuana industry, and—again, unlike the case with trademark law—there are few plausible state law alternatives to federal patent protection.\(^{225}\) This is partly because federal patent law pre-empts all state law efforts to provide patent-like protection and partly because patent law did not develop from common-law doctrines the way that trademark law did.\(^{226}\) State law analogs to patent protection simply do not exist.

Given the continuing federal prohibition on marijuana, the only effective approach for a marijuana business seeking to protect its inventions and valuable information is likely to be secrecy: regulated marijuana businesses must, and do, rely on trade secret law combined with the aggressive use of confidentiality and nondisclosure agreements to do what they cannot through the patent system.\(^{227}\) Secrecy as a method of


\(^{224}\) See Milton Springut, *High on IP: Marijuana-Related Intellectual Property Law*, N.Y. L.J., Jan. 12, 2015, at 4 (noting that whether courts will enforce IP rights remains an open question, but under the Latin legal maxim *ex turpi causa non oritur action*, plaintiffs are unable to pursue a legal remedy if it arises in connection with their own illegal acts).

\(^{225}\) See *supra* notes 201–203 and accompanying text (considering trade secret law as an alternative to patent protection).


\(^{227}\) The marijuana law commentators have made this point forcefully. The
protecting IP has significant downsides, however. While trade secret law is in some circumstances a powerful form of protection,\textsuperscript{228} its “leakiness” has been well documented. Indeed, one of the reasons that federal patent law does not preempt state trade secret law is that it is subject to an entire range of defenses not available under patent law.\textsuperscript{229} Once a trade secret becomes public, for example—and that can happen in a variety of ways: disclosure, reverse engineering, or independent invention—legal protection disappears. Furthermore, the remedies for misappropriation of a trade secret or for breach of a

Canna Law Blog, for example, points to trade secret law as the best approach for marijuana businesses and recommends the use of confidentiality and nondisclosure agreements:

Somewhere out there is a combination of growing medium, nutrients, light mixture, heat, moisture, air content, etc. that will lead to the highest achievable quality of marijuana product. For the business and grower that find that mixture, high profits are a natural outcome, so long as it is the only business that knows how to do what it does. That is the value of a trade secret, and that is where nondisclosure agreements come into play. The only way to get protection for secrets is to show that you actually think of them as secret. You do this by making sure that every single person that comes into contact with information that should be confidential is contractually bound to keep it confidential.


\textsuperscript{229} \textit{See} Kewanee Oil Co. v. Bicron Corp., 416 U.S. 470, 490 (1974) (“While trade secret law does not forbid the discovery of the trade secret by fair and honest means, e.g., independent creation or reverse engineering, patent law operates ‘against the world,’ forbidding any use of the invention for whatever purpose for a significant length of time.”).
TRADEMARK LAUNDERING

confidentiality agreement are limited, especially as compared to patent law.230

Patent protection involves—indeed, it requires—public disclosure of the invention, while trade secret law obviously precludes it. This is so because the utilitarian approach to patent protection contemplates a quid pro quo in which the inventor receives monopoly-like rights to the invention for “[l]imited times” and the public receives the benefit of the patent holder’s knowledge during the duration of the patent term and unlimited access to the invention once the patent expires.231 As discussed above, patent law involves a very strong set of rights, much stronger than those provided by trade secret law, and these robust remedies are meant to push inventors toward the patent system: as a policy matter, we prefer that inventions be publicly disclosed and, ultimately, publicly available.232

For the marijuana industry, trade secret law may not provide much assistance in guarding its IP. Trade secret law protects secret, valuable information that is subject to reasonable measures to keep it secret.233 Any item that is publicly available,

230. Compare 35 U.S.C. §§ 283–85 (providing for injunctive relief, damages—including the possibility of treble damages—and attorneys’ fees for patent infringement), with UNIF. TRADE SECRETS ACT § 2 (UNIF. LAW COMM’N 1985) (providing for the possibility of injunctive relief, but in a substantially limited way), and id. § 3 (providing for damages, but not treble damages).

231. See U.S. CONST. art. I, § 8, cl. 8 (granting Congress the power to advance arts and sciences by granting authors and inventors exclusive rights for their creations).


233. See UNIF. TRADE SECRETS ACT § 1(4) (UNIF. LAW COMM’N 1985), reprinted in JOHN GLADSTONE MILLS III ET AL., PATENT LAW FUNDAMENTALS ch. 4 app. D (2d ed. 2015) (“‘Trade secret’ means information, including a formula, pattern, compilation, program, device, method, technique, or process, that: . . . derives [economic value] from not being generally known . . . [and] is the subject of efforts that are reasonable under the circumstances to maintain its secrecy.”); see also COLO. REV. STAT. § 7-74-102(4) (2015) (“To be a ‘trade secret’ the owner thereof must have taken measures to prevent the secret from becoming available to persons other than those selected by the owner to have access thereto for limited purposes.”).
however, may be reverse engineered, and many inventions simply cannot remain secret once they have been distributed. 234 For example, a marijuana business might wish to patent a small portable vaporizer (a vape pen) and sell it nationwide. If it were able to obtain and enforce such a patent, it would be able to stop others from using its invention, or even from purchasing the device, figuring out how it works, and then creating a similar device. If the only protection that is available is trade secret, by contrast, the business might have some protection during the research and development phase, but once it is made public—once it reaches market, in other words—the secrecy of the process, and the legal protection associated with it, would disappear, assuming that it could easily be reverse-engineered.

Another alternative for marijuana businesses in states like California, Colorado, and Washington, where there has been the most robust marijuana business development, is the comprehensive use of licensing and other contractual arrangements to substitute for federal IP protection. 235 This is often accomplished in conjunction with a business’s strenuous trade secret efforts. A marijuana business will, for example, ask its employees to sign confidentiality and non-compete agreements 236 that include references to the company’s trade

234. See Kewanee v. Bicron, 416 U.S. 470, 476 (1974) (“[T]rade secret law, however, does not offer protection against discovery by fair and honest means, such as by independent invention, accidental disclosure, or by so-called reverse engineering, that is by starting with the known product and working backward to divine the process which aided in its development or manufacture.”).


236. This is less likely in California, and a couple of other states, where non-competes are categorically unenforceable, but the rest of the strategy is similar. See CAL. BUS. & PROF. CODE § 16600 (West 2015) (“Section 16600 does not invalidate an employee’s agreement not to disclose his former employer’s confidential customer list or other trade secrets or not to solicit those customers.”); see also Edwards v. Arthur Anderson LLP, 189 P.3d 285, 291 (Cal. 2008) (“Under the statute’s plain meaning, therefore, an employer cannot by contract restrain a former employee from engaging in his or her profession, trade, or business unless the agreement falls within one of the exceptions to the
secrets and other “confidential” and “proprietary” information. The business will also enter into agreements with suppliers, producers, and others in the industry, and include in those agreements strict confidentiality and non-disclosure provisions.

Few of these agreements are public, and we have not had the opportunity to review documents of this kind. Anecdotally, however, we have been led to believe that marijuana businesses regularly “license” the IP rights—often unspecified, but perhaps trade secrets, brand names, and the like—that they believe they have, and purport to do so not just within one state but among businesses in the various states that have legalized marijuana to one extent or another. 237 For example, a Colorado company that extracts the active ingredients from marijuana and then puts them into a vape pen for consumption might have a great deal of IP it wishes to protect. It might want to patent the way the marijuana is prepared for extraction, the extraction process itself, and the vaporizing mechanism within the pen, as well as the brand name on the pen and the trade dress of the box and display. If it were dealing with any other product, the manufacturer would simply patent and trademark these elements. It would then be able to ensure itself nationwide protection allowing itself to sue (or at least threaten to sue) anyone infringing its federal rights.

Of course, everything is different in the marijuana context. As we have seen, the Colorado company cannot simply obtain trademarks or enforceable patents for its marijuana products, processes, and marks. 238 As a result, it is obligated to rely on state-analog remedies such as trade secret and state unfair competition law. And we have seen that these protections cannot provide it with the nationwide protection that it seeks—Colorado unfair business practices law cannot reach the behavior of a company doing business entirely within the state of Oregon, for

237. See, e.g., Madrak, supra note 235 (explaining the need to use licensing for marijuana firms to expand interstate without violating federal law by moving marijuana across state lines).

238. See infra Part IV (describing the impossible difficulties marijuana companies face when they want patent and trademark protection).
example. Furthermore, because marijuana cannot move across state lines, the Colorado company will have to create manufacturing plants everywhere it wishes to sell its products—it can ship neither the marijuana it uses nor the processed and completed products across state lines. But because each state has its own regulations governing who may be licensed to possess and process marijuana for sale, the company may find itself unable to produce its products in every market it wishes to enter.

In light of all of these issues, our hypothetical Colorado company might wish to enter into an agreement with a licensed entity in Oregon, conveying the right to use its name and processes in that state. Under this licensing arrangement, the licensee would be able to take advantage of Oregon’s IP protections that the Colorado company simply could not. Our best guess is that most of these agreements contain choice of law and choice of venue provisions that select marijuana-friendly states, and contain a requirement that any litigation occur in state rather than federal courts. But the truth is that the parties will in any event seek to avoid litigation, for the reasons that have been discussed above.

One way marijuana entities might prevent recourse to the courts is through the mediation of disputes before a private entity. A market is developing for mediators willing to resolve marijuana disputes for parties wary of more traditional dispute resolution in court. This approach—leaning heavily on the Supreme Court’s recent pro-arbitration decisions—might prove

239. See infra Part III.B (highlighting the inadequacies of state unfair business practices laws).

240. See Madrak, supra note 237 (describing the challenges marijuana companies experience due to the interstate commerce clause).

241. For example, Dixie Elixirs recently announced that it was licensing its successful Colorado edible products to a California manufacturer. See Molly Ambrister, Dixie Elixirs to Expand Its Brand to California, DENVER BUS. J. (June 15, 2015), http://www.bizjournals.com/denver/news/2015/06/15/dixie-elixirs-to-expand-its-brand-to-california.html (last visited Nov. 6, 2015) (focusing on the expansion of one marijuana company into an additional state) (on file with the Washington and Lee Law Review).

242. A Denver-based organization, the Cannabis Dispute Resolution Institute, has applied for non-profit status and seeks to become the cannabis industry’s principal dispute arbiter. (Application on file with the authors).
an effective way of keeping disputes out of court and keeping parties wishing to exit marijuana agreements from invoking marijuana’s continued illegality to void contracts they had previously agreed to. For example, in *Buckeye Check Cashing, Inc. v. Cardegna*, the Supreme Court held that an arbitration clause in a financial contract was enforceable even in the face of plaintiffs’ claims that the contract itself violated state usury laws. In doing so, the Court rejected the view of the Florida Supreme Court that enforcing such an arbitration clause “could breathe life into a contract that not only violates state law, but also is criminal in nature.” The parallels to an arbitration clause in a marijuana contract are obvious; by the same logic, an arbitral agreement in a marijuana contract would not be void simply because the contract in which it appears is a violation of federal law. Furthermore, because the Supreme Court has stated that the Federal Arbitration Act sets out the exclusive criteria for invalidating an arbitral award, a court asked to enforce such an award should not look behind such an award to determine whether it would have reached the same result if it had had jurisdiction over the dispute.

What all of this demonstrates is that the general unavailability of federal IP protections requires innovation, ingenuity, and risk tolerance on the part of the regulated marijuana businesses and their attorneys. It also shows that marijuana businesses, forced to cobble together state-level protection with other legal tools, will find themselves disadvantaged vis-à-vis other businesses.

244. See *id.* at 446 (“[W]e cannot accept the Florida Supreme Court’s conclusion that enforceability of the arbitration agreement should turn on ‘Florida public policy and contract law.’”).
245. *Id.* at 443 (quoting Cardegna v. Buckeye Check Cashing, Inc., 894 So. 2d 860, 862 (Fla. 2005)).
246. See *Hall St. Assocs. v. Mattel, Inc.*, 552 U.S. 576, 584 (2008) (“We now hold that [Sections] 10 and 11 respectively provide the FAA’s exclusive grounds for expedited vacatur and modification.”).
Copyright law, like patent law, is purely a creature of federal law. The Copyright Act preempts state law that looks like copyright protection, and since 1978—when the preemption provision was enacted—there have been very few common law copyright protections afforded by state law. Unlike trademark law, however, copyright law does not have an illegality or scandalousness doctrine prohibiting protection for particular items. Because copyright law is primarily intended to protect expressive works, an illegality or immorality doctrine would have serious free speech consequences. As a result, marijuana businesses have essentially unrestricted access to federal copyright law.

Marijuana websites regularly include the copyright symbol—at the bottom of the page. A book title can contain the word marijuana and even instruct readers how to use medical marijuana: Aunt Sandy's Medical Marijuana Cookbook—Comfort Food for Body & Mind obtained a copyright registration in

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All legal or equitable rights that are equivalent to any of the exclusive rights within the general scope of copyright... in works of authorship that are fixed in a tangible medium of expression and come within the subject matter of copyright... are governed exclusively by this title... No person is entitled to any such right in any such work under the common law or statutes of any State.

248. See Eldar Hadar, Copyrighted Crimes: The Copyrightability of Illegal Works, 16 Yale J.L. & Tech. 454, 456 (2014) (“Under current copyright law, illegal works are usually treated just like other works: a work that is original and fixed in a tangible medium of expression is entitled to copyright protection and eligible for registration.”).

249. For example, the following—Copyright © 2015 Portland Alternative Clinic; serving the Medical Marijuana Community—appears at the bottom of that organization’s website. PORTLAND ALT. CLINIC, INC., http://portland alternative clinic.com/ (last visited Oct. 22, 2015) (on file with the Washington and Lee Law Review). The copyright symbol provides notice that the author or owner has copyright rights in the work. The rights themselves vest as soon as the work is “fixed in a tangible medium of expression.” 17 U.S.C § 102. Unlike patent, the existence of rights does not depend upon an administrative determination.
Logos and other designs for marijuana stores are properly the subject of copyright protection. While federal copyright law is thus available to those in the marijuana industry, it provides only a limited protection; it does not do much more than protect the design of logos and, perhaps, the content of marketing materials. Copyright law is quite useful for those who create books, music, art, and perhaps software, but provides little protection for some other industries. Therefore, the availability of copyright protection hardly fills the gap left by the unavailability of trademark and patent law. What is more, the willingness of the federal courts to hear a copyright claim brought by a marijuana business remains uncertain. Jurisdiction for copyright claims is exclusively federal; a state court may not hear a federal copyright claim. As with patent and trademark suits, however, federal courts may be unwilling to provide relief to a party engaged in ongoing violation of federal law, and federally licensed attorneys may be unwilling or unable to bring such claims.

250. Copyright Registration No. TX0007338667.
251. A Google Images search for “marijuana logo design” reveals thousands of images, the vast majority of which would be entitled to copyright protection.
252. See 17 U.S.C. §§ 102(a)–(b) (stating that copyright protection extends to “original works of authorship” but not to any “idea, procedure, process, system, method of operation, concept principle or discovery”).
253. See id. (stating that copyright law simply does not protect things like drug formulas or new devices, although it does protect computer software as a “literary work”).
255. And, as with patent and trademark, a marijuana business remains liable if it infringes the copyright of another business, even if it cannot itself invoke those protections.
VI. The Surprising IP Consequences of the Simultaneous Federal Prohibition of Marijuana and State Decriminalization

A. Downsides

The IP challenges for marijuana businesses in the states where marijuana has been legalized and regulated are both many and relatively clear. If one sees the states’ momentum away from marijuana prohibition as a good thing, then the current patchwork of protection should raise serious concerns. The marijuana industry is likely to be hobbled by its inability to assert IP rights, particularly as compared to ancillary businesses that are not similarly affected.\(^{256}\) The current regime does not reward entrepreneurialism and risk-taking on the part of marijuana businesses; oddly, it favors those who stand in proximity to risk-takers rather than the risk-takers themselves.\(^{257}\)

On the other hand, if one does not view the trend of legalization as either inevitable or beneficial, then the IP problem—along with the bankruptcy problem, the banking problem, and all other federal law problems—is not really a problem at all. As the tech folks might say, the obstacles placed in the path of marijuana businesses are features of the system, not bugs.

In any event, there can be little controversy that marijuana businesses in states that have legalized the drug sit in a very uncomfortable, and a very unusual, position. They seek to comply with state law and to operate like other businesses, but in many ways are unable to do so. Banking services and the protections of the bankruptcy system are largely unavailable; access to lawyers and courts is restricted; and even the successful businesses have great difficulty expanding nationally or internationally.\(^{258}\) Added

\(^{256}\) See supra Parts III–V (describing the challenges of asserting IP rights of a marijuana business).

\(^{257}\) See supra Part III.B (discussing the comparative advantages of IP owners who provide marijuana-related materials, such as t-shirts with marijuana symbols, to IP owners who provide marijuana products).

\(^{258}\) See supra note 77 and accompanying text (discussing issues facing marijuana companies regarding bankruptcy); 18 U.S.C. § 1952 (2012)
to this list is the near complete lack of availability of the federal IP system. This presents obvious challenges, but there may be some silver linings as well.

B. Upsides

There may be a silver lining or two in this strange situation in which marijuana is legal in some states, illegal in others, and absolutely prohibited on the federal level. Perhaps a bit prosaically, the marijuana industry does not have to incur the cost of seeking and maintaining federal trademark and patent law protection. As mentioned above, the cost of seeking and then enforcing patent rights is significant, and pursuing and enforcing federal trademark protection can be quite costly as well. The relative lack of formal protections available to the marijuana industry may offer something of a boon in this regard.

From a broader perspective, however, the relative lack of IP protection for marijuana businesses provides an opportunity to witness how much and what kind of innovation happens in the relative absence of federal patent protection and to see how firms will endeavor to protect their names and goodwill without the full force of federal trademark law. We explore both of these questions in this final subpart of the Article.

The current state of the law—the ongoing federal prohibition on marijuana and the rapidly changing legal status at the state level—allows for something of a natural experiment. There has

(prohibiting interstate travel for the purpose of promoting, managing, establishing, or engaging in unlawful activity).

259. As of 2015, the cost of filing a trademark application with the U.S. Patent and Trademark Office ranges from $225 to $375 per class of goods. The owner of the trademark is also required to file a $100 § 8 Declaration of Continued Use between the fifth and sixth years after the trademark is originally registered and between the ninth and tenth years after the registration date thereafter. Trademark FAQs, supra note 137. Of course, litigating a trademark infringement claim is far more costly than registration, but likely not any more expensive than patent litigation.

260. This may be offset to some extent, if marijuana businesses rely more heavily on alternative mechanisms of protection. There is little doubt, however, that federal patent and trademark rights are more costly to acquire and enforce than trade secret rights or related contractual mechanisms.
recently been a great deal of attention paid to the question of innovation in the absence of IP protection.\textsuperscript{261} Some of this literature tells us more about particular industries than about IP policy as a general matter, but the evidence is mounting that the conventional story—\textsuperscript{262} that IP protection is necessary in order to incentivize innovation—is at best a vast oversimplification and possibly wrong in some instances.\textsuperscript{263}

A look at the developments in the marijuana businesses in Colorado, California, and elsewhere makes clear that solid patent protection is not the \textit{sine qua non} of innovation and economic development in the industry—new and useful products are being developed even though they cannot be patented. There is some reason to believe, however, that the relative absence of federal trademark protection may well hamper the development of goodwill in brands and might result in consumer harm. A snapshot of some developments serves to demonstrate both of these observations and provides a roadmap for future study.

It is apparent that, notwithstanding the federal prohibition on marijuana that affects so many aspects of running a marijuana business, entrepreneurialism and innovation are alive and well in the industry; one estimate puts the total size of the industry at $30 billion by 2019—even without a fundamental change in federal law.\textsuperscript{264} Currently a National Cannabis Business

\begin{footnotes}
\footnote{261. See, e.g., Rosenblatt, \textit{supra} note 10, at 442 ("Some [areas not protected by intellectual property law] even seem to benefit from the lack of protection. These are intellectual property's 'negative spaces'—areas where creation and innovation thrive without significant formal Intellectual property protection.").}


\footnote{263. See Rosenblatt, \textit{supra} note 10, at 444 (noting that commentators have been most concerned with negative spaces as anomalies to incentive theory and have analyzed how creators and innovators in these spaces benefit from efficiencies and incentives other than "formal intellectual property protection").}

\end{footnotes}
Summit (subtitle: Where Commerce Meets a Revolution) is held several times a year, covering topics including Cultivation Management, Infused and Extracted Products, and Investment, Finance and Accounting. An annual Marijuana Investor Summit “offers early adopters a deep dive into the legalized cannabis markets. Summit sessions and the pre-conference half-day boot camp are taught by experts from both the investment industry and the successful entrepreneurs of the legal marijuana community.” An investment group specializing in marijuana startup companies was recently valued at nearly a half a billion dollars. And all of this entrepreneurialism is occurring in a context where it is often difficult for investors to obtain an equity stake in the companies that most pique their interest; many states have strict limits on who can obtain an ownership stake in a licensed marijuana business.

One thing that is clear is that it is more than just the ability to grow and sell marijuana that is attracting all of this investment; the companies that are generating the most interest are often technologically innovative. The special challenges of producing and distributing marijuana on a mass scale for the first time require the development of new products and methods


267. See John Cook, We’re Not Smoking Something: This Marijuana Startup Is Valued at Half a Billion Dollars, GEEKWIRE, (July 9, 2015), http://www.geekwire.com/2015/were-not-smoking-something-this-marijuana-startup-is-valued-at-nearly-half-a-billion-dollars/ (last visited Oct. 21, 2015) (“People criticized us for being too optimistic, but it’s amazing how quickly this industry is transforming from an illicit industry to fully legal,” Privateer’s Kennedy told GeekWire at the time of the financing.”) (on file with the Washington and Lee Law Review).

268. See, e.g., COLO. REV. STAT. § 12-43.4-306(1)(k) (2015) (prohibiting issuing marijuana business licenses to owners who have not been Colorado residents for at least two years prior to the owner’s application).
in the fields of software, agriculture, chemistry, and biology, among many others. In fact, there is reason to believe that the outlaw nature of marijuana and the relative youth and immaturity of the regulated market have the effect of enhancing creativity rather than impeding it.

There is already talk that the technologies being developed in the marijuana industry will have important applications elsewhere in the areas of agriculture, retail, and environmental design. In other words, there is a huge amount of technological


The emerging cannabis industry has not only created thousands of new jobs, it has also given birth to a new technology niche. Existing software companies are adapting and new ones are being born to address . . . this new sector. Government agencies and business owners . . . are at ground zero for the creation of these new products.


As more countries and U.S. states soften their policies on both medical and recreational marijuana, companies are racing to become the industry leaders in data-mining software, ultraefficient lamps and water-sipping irrigation systems. These tools will benefit more than marijuana growers . . . . Industrial food producers and tree growers could adapt the same technologies . . . to cut energy costs and boost their crops. Operators of large buildings could use the systems to lower their electricity use.

development and innovation in the marijuana industry and related fields even though the federal patent system is almost entirely out of reach for many of these companies.

And it seems clear that sophisticated, profitable businesses are being formed and that capital is being accumulated notwithstanding the myriad challenges facing the industry: Harborside, a California marijuana dispensary, had $25 million in sales in 2014 and is probably the largest dispensary in the country.\textsuperscript{272} O.penVAPE, a company that makes vaporizing pens with interchangeable marijuana cartridges, sells more than 200,000 units per month in seven states where marijuana is legal.\textsuperscript{273} Other examples abound throughout the industry.\textsuperscript{274}

Obviously, this Article does not purport a quantitative analysis of the effects of the relative unavailability of IP rights for the marijuana industry. In fact, it is not entirely clear how such a study could be conducted—because all states legalizing marijuana are operating under the same federal prohibition, there is no way to control for the unavailability of IP rights. However, the rapid development of marijuana businesses, the


\textsuperscript{273} See Will Yakowicz, \textit{The Marijuana Business That's Becoming a Brand Name}, INC. (Apr. 24, 2015), http://www.inc.com/will-yakowicz/open-vape-cannabis-oil-vaporizer-national-brand.html (last visited Oct. 21, 2015) (“In an industry where brands are just starting to gel and emerge, O.penVape has a product that’s recognized by legions of pot enthusiasts—[a sleek black pen-shaped vaporizer battery that uses a clear plastic cartridge filled with honey-brown THC oil and a black mouthpiece].”) (on file with the Washington and Lee Law Review).

investment in those companies, and the variety of technological advances in the industry do provide clear evidence that the federal patent system is not a necessary ingredient for “progress”\textsuperscript{275} in this business context. That is, notwithstanding all of the impediments to profitability in the marijuana business, investors, entrepreneurs, and small businesspeople are entering this business, innovating, and creating new products and services.\textsuperscript{276} While there is clearly a large amount of money to be made—especially if the federal prohibition goes away—the concept that patent rights are necessary to encourage innovation and investment has been disproven, at least in this context.

Whether federal trademark protection is necessary—to protect the investment of marijuana businesses in their brands and their goodwill, and to protect the public from confusion and deception in the marketplace—is a different question. As a general matter, consumers benefit from being able to identify the manufacturer of a product; we buy a particular brand of soda, whiskey, or television because we trust in its quality, safety, and reliability.\textsuperscript{277} To the extent that marijuana businesses cannot obtain this benefit, both they—and consumers—necessarily suffer.

Nonetheless, marijuana businesses are clearly investing in their brands, seeking to create recognizable names and marks for customers to seek out. Although marijuana businesses simply cannot do the kinds of national branding, advertising, and expansion in which other companies regularly engage, they are

\textsuperscript{275} See U.S. Const. art. I, § 8, cl. 8 (“Congress shall have the power . . . to promote the progress of science and useful arts, by securing for limited times to authors and inventors the exclusive right to their respective writings and discoveries . . . .”).

\textsuperscript{276} See Huddleston, supra note 274 (“The marijuana industry still faces legal and political obstacles, including federal tax issues and a lack of available banking options, but the industry still manages to grow. Indeed, . . . the industry’s sales increased 74% last year, to $2.7 billion.”).

acting much the way other businesses—with access to federal trademark protections—seek to grow their own brands. Finally, it is as yet uncertain the effect that the limited forms of trademark protection available to marijuana businesses will have on consumers. Will there be more fraud on the market, more confusion, and more deception in the marijuana marketplace? Some in the industry believe that this is the case, but it is still too soon to tell.

**VII. Conclusion**

Ultimately, the current legal status of marijuana is unsustainable; the only thing that seems clear is that the situation will continue to change rapidly. The federal marijuana prohibition, combined with state-level legalization, has presented numerous novel legal issues and the opportunity to test assumptions and conventional wisdom. We are learning about the effect of legalization on a variety of topics from crime and addiction rates to the effectiveness of the states as laboratories of ideas and the appropriate balance of power between the state and federal governments.

In the federal IP context, the present situation allows us to think about the policy and purposes animating federal patent and trademark law and perhaps to learn something about whether IP protection serves the purposes for which it was created. It is of course impossible to know how fast the industry would be growing without the limits imposed by marijuana’s continued federal prohibition. We simply close with the observation that the inability of marijuana businesses to obtain federal IP protection—like their inability to bank, take standard deductions on their taxes, etc.—has hardly proven fatal to the rapid expansion of the industry. Despite the fact that marijuana businesses cannot gain a monopoly on the use of their inventions or prevent others from using their names and good will, they remain one of the fastest growing industries in the country today.