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

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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[3] – a number of states have begun to repeal their own prohibitions on marijuana, either for medical patients or for all adults.[4] 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.[5] – it does nothing to change the continuing federal ma-

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[3] 21 USC § 812(c)I.(c)(17) (designating THC, the active ingredient in marijuana, as a Schedule I drug); 21 U.S.C. §841(a) (describing prohibited marijuana activity).

[4] For an up-to-date list of state marijuana laws, see National Organization for the Reform of Marijuana Laws, available at http://norml.org/states/.

[5] See, American Civil Liberties Union, THE WAR ON MARIJUANA IN BLACK AND WHITE (2013) at 4:

> 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 (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. Marijuana arrests have increased between 2001 and 2010 and now account for over half (52%) of all drug arrests

rijuana prohibition. Even as 23 states and the District of Columbia have authorized marijuana for some adults, marijuana remains illegal for all purposes under federal law.

Marijuana thus exists in a unique legal place in those states that have repealed some or all of their marijuana prohibitions – it is "legal" in those states but it is not entirely licit. Those using marijuana in compliance with state law are nonetheless committing federal crimes and may accordingly be fired from their jobs, risk losing their public benefits, and put their parental rights in jeopardy.[6] For those seeking to produce or sell marijuana under state laws and regulations permitting such conduct, an additional set of concerns arise. In addition to the ever-present – but remote – risk of arrest, incarceration, and asset forfeiture, marijuana businesses 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 help them navigate a complex and ever-changing regulatory landscape.[7]

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

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in the United States. 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.

[6] Erwin Chemerinsky, Jolene Forman, Allen Hopper, and 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—which cannot be done by executive action alone because enforcement decisions made by one presidential administration could easily be overturned by the next—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 I.C.

[7] Sam Kamin and Eli Wald, *Marijuana Lawyers: Outlaws or Crusaders*, 91 OR. L. REV. 869 (2013) (writing that "under a traditional, strict reading of both criminal law and the Model Rules of Professional Conduct, an attorney is prohibited from providing most kinds of legal assistance to a marijuana client.").

state-level IP and IP-like rights in an attempt to achieve what it cannot under federal law. To the extent that federal protection is absent or ineffective for those in the marijuana industry, producers and retailers are increasingly relying on state intellectual property rights, state consumer protection laws, and so on. But state intellectual property doctrines and related regulations were not created for the purposes they are being asked to serve and are likely to be insufficient for these purposes.

The second result is that the unavailability of federal intellectual property protections can teach us something important about innovation in the absence of the full panoply of intellectual property rights. Much has been written about the importance of intellectual property protections to encourage creativity, incentivize innovation, and protect the public;[8] the monopolies conveyed by patent and trademark law are generally justified on these grounds. 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 those protections actually play in practice.

This article will proceed in five Parts. Part I will trace the path of marijuana law reform in the states and the current status of its (quasi-)legality. This Part will also briefly describe 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 IV will cover the three broad areas of federal intellectual property protection – trademark, patent, and copyright – as they concern the marijuana industry. These Parts of the article will explain the extent to which each intellectual property regime is available, or not, to the marijuana industry and the ways in which workarounds and alternatives are available and are being used. Finally, Part V will point out the challenge that the current state of affairs presents to the common wisdom regarding federal intellectual property law. It is often posited that federal trademark and patent protections are necessary in order to protect

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[8] *See, e.g.*, Lisa Larrimore Ouellette, *Patentable Subject Matter and Non-Patent Innovation Incentives*, 5 U.C. IRVINE L. REV. __ (forthcoming 2015); Christopher J. Buccafusco, Zachary C. Burns, Jeanne C. Fromer, and Christopher J. Sprigman, *Experimental Tests of Intellectual Property Laws' Creative Thresholds*, 93 TEX. L. REV. 1921 (2014); Elizabeth L. Rosenblatt, *Intellectual Property's Negative Space: Beyond the Utilitarian*, 40 FLORIDA ST. L. REV. 441 (2013); Jonathan M. Barnett, *Is Intellectual Property Trivial?*, 157 U. PA. L. REV. 1691 (2009).

and inform the public and to 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.

I. 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.[9] Although there is much reason to be skeptical of this designation, marijuana remains a Schedule I drug to this day.[10] Like other Schedule I drugs, the production, distribution, and possession of marijuana is prohibited and is subject to severe criminal penalties – the large scale cultivation and distribution of marijuana can lead to imprisonment for 25 years to life in prison[11] as well as the forfeiture of any assets used in the commission of a CSA violation.[12] Attempts to challenge either marijuana's place in Schedule I[13] or Congress's authority to regulate marijuana under the Commerce clause[14] have consistently failed.

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[9] 21 U.S.C. § 812(b)(1) (defining Schedule I drugs as having a high potential for abuse and no currently accepted medical use); § 812(c)(17) (classifying THC, the active psychoactive ingredient in marijuana, as a Schedule I drug).

[10] See Carolyn Gregoire, *Marijuana May Hold Promise as Treatment for PTSD*, THE HUFFINGTON POST (November 22, 2014), http://www.huffingtonpost.com/2014/11/22/cannabis-ptsd_n_6199254.html; John Ingold, Joe Amon, Lindsay Pierce, *State of Hope*, THE DENVER POST, http://extras.denverpost.com/stateofhope/ (documenting the phenomenon of parents moving to Colorado to seek CBD oil treatment.); Payton Guion, *Marijuana Can Kill Cancer Cells, Says US Government-Funded Research*, THE INDEPENDENT (April 9, 2015), http://www.independent.co.uk/news/world/americas/marijuana-can-kill-cancer-cells-says-us-governmentfunded-research-10166406.html.

[11] 21 U.S.C. §841(b)(1)(A), §841(b)(1)(D)

[12] 18 U.S.C. §981.

[13] Maura Dolan, *U.S Judge Won't Remove Marijuana from Most Dangerous Drug List*, LA TIMES (April 15, 2015), http://www.latimes.com/local/lanow/la-me-ln-marijuana-ruling-20150415-story.html; Americans for Safe Access v. DEA, 706 F. 3d 438 (2013) *cert. denied*, 134 S.Ct. 267 (2013).

[14] Gonzales v. Raich, 545 U.S. 1 (2005) (upholding under the Commerce Clause Congress' authority to regulate marijuana, even marijuana grown at home for personal use);

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. For, after a period of enacting marijuana prohibitions paralleling those of the CSA, over the last twenty years, an increasing number of states has sought new ways of managing the drug. 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.[15] Proposition 215 provided a defense to California's criminal laws for those using marijuana for medical purposes and for those facilitating that use. It quickly became a model for other states; in the last 20 years, 22 more states and the District of Columbia have passed similar measures.[16]

It should be obvious to the reader already how different medical marijuana provisions such as Proposition 215 are from the approach manifested in the CSA. By classifying marijuana in Schedule I, Congress made clear its view that marijuana is without valid medical use; by passing medical marijuana provisions, the several states have asserted exactly the opposite. Furthermore, the Supremacy Clause makes clear how this conflict must be resolved. In *U.S. v. Oakland Cannabis Buyers' Cooperative*,[17] the Supreme Court clarified that, even in a state that has adopted medical marijuana provisions, it is no defense in a prosecution under the CSA that the defendant was producing, distributing, or possessing marijuana for medical purposes.

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,[18] the increasing unwillingness of the states to participate in marijuana prohibition represents a significant impediment

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[15] *State Marijuana Laws*, NATIONAL CONFERENCE OF STATE LEGISLATURES (August 20, 2015) ("In 1996, California voters passed Proposition 215, making the Golden State the first in the union to allow for the medical use of marijuana.").

[16] *Id*. ("Since then, 22 more states, the District of Columbia and Guam have enacted similar laws.")

[17] 523 U.S. 483 (2001).

[18] See, Chemerinsky, *et al*., at 84 ("Since the CSA's implementation more than forty years ago, nearly all marijuana enforcement in the United States has taken place at the state level. For example, of 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").

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.[19] But it cannot conscript state law enforcement officials in the enforcement of federal law;[20] 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.[21]

Medical marijuana laws in the states thus produced something of a standoff. The states were unable to use marijuana law reform immunize their citizens from federal prosecution and the federal government was either unable or unwilling to enforce federal law on its own. In 2012 two states, Colorado and Washington, brought this tension to a head when they legalized marijuana for all adults 21 and older.[22] 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."[23] The

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[19] See Robert Mikos, *On the Limits of Supremacy: Medical Marijuana and the States' Overlooked Power to Legalize Federal Crime*, 62 VAND. L. REV. 1442 1445-46 ("Congress's preemption power is … expansive. It is hornbook law that Congress may preempt any state law that obstructs, contradicts, impedes, or conflicts with federal law. Indeed, it is commonly assumed that when Congress possesses the constitutional authority to regulate an activity, it may preempt any state law governing that same activity.") (citations omitted).

[20] New York v. United States, 505 U.S. 142, 175 (1992) (holding 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).

[21] Chemerinsky, et al 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."); Robert Mikos, *On the Limits of Supremacy at* 1446 (arguing that the anticommandeering "rule stipulates that Congress may not command state legislatures to enact laws nor order state officials to administer them.").

[22] Jack Healy, *Voters Ease Marijuana Laws in 2 States, but Legal Questions Remain*, NEW YORK TIMES (November 7, 2012) http://www.nytimes.com/2012/11/08/us/politics/marijuana-laws-eased-in-colorado-and-washington.html?_r=0.

[23] COL. CONST. AMEND. 64 ("In the interest of the efficient use of law enforcement resources, enhancing revenue for public purposes, and individual freedom,

idea, in other words, 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.[24]

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. 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,[25] it is equally clear that the federal government retains the power to enforce the civil and criminal provisions of that Act,[26] even in those states choosing to legalize marijuana for some adults. Such enforcement – even if sporadic or incomplete – would likely cripple the states' ability to achieve their marijuana policies.

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 when it announced the Department of Justice's view that those in clear compliance with state medical marijuana provisions were a low priority target of limited prosecutorial resources.[27] Although this was taken as a green light

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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…").

[24] See, Campaign to Regulate Marijuana Like Alcohol, http://www.regulatemarijuana.org/s/regulate-marijuana-alcohol-act-2012 ("Regulating marijuana like alcohol will take marijuana sales out of the hands of cartels and criminals, and redirect that money toward legitimate, taxpaying Colorado businesses.").

[25] See supra note XXX, supra.

[26] See, e.g., *Oakland Cannabis Buyers Cooperative*, at 489-91 (finding that it is no defense in a federal prosecution under the CSA that the defendant was complying with state medical marijuana provisions.).

[27] The United Stated Department of Justice, Office of the Deputy Attorney General, Memorandum for Selected United States Attorneys: *Investigations and*

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.[28]

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

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Prosecutions in States Authorizing the Medical Use of Marijuana (Oct. 19, 20019) at 1-2, *available at* http://www.justice.gov/opa/blog/memorandum-selected-united-state-attorneys-investigations-and-prosecutions-states [hereinafter "Ogden Memo"] (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.").

[28] United States Department of Justice, Office of the Deputy Attorney General, Memorandum for all United States Attorneys: *Guidance Regarding the Ogden Memo in Jurisdictions Seeking to Authorize Marijuana for Medical Use* (June 29, 2011), *available at* http://www.justice.gov/oip/docs/dag-guidance-2011-for-medical-marijuana-use.pdf [hereinafter "Cole Memo 1"].

off approach to marijuana regulation in the states.[29] James Cole released a second Memorandum on August 29, 2013 setting forth the 8 enforcement criteria that United States 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.[30]

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 Obama administration announcements reiterated this solidification of a more permissive approach to the enforcement of the CSA.[31] For example on October 24, 2014, the administration issued a memo-

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[29] United States Department of Justice, Office of the Deputy Attorney General, Memorandum for All United States Attorneys: *Guidance Regarding Marijuana Enforcement* (Aug. 29, 2013), *available at* http://www.justice.gov/iso/opa/resources/3052013829132756857467.pdf [hereinafter "Cole Memo II"]; The United States Department of Justice, Executive Office for United States Attorneys, *Policy Statement Regarding Marijuana Issues in Indian Country* (October 28, 2014), available at http://www.justice.gov/sites/default/files/tribal/pages-/attachments/2014/12/11/policystatementregardingmarijuanaissuesinindiancountry2.pdf.

[30] Cole Memo II at 3.

[31] See, e.g., United States Department of Justice, Office of the Attorney General, Memorandum for All United States Attorneys, All First Assistant United States Attorneys, All Criminal Chiefs, All Appellate Chiefs, All OCDETF Coordinators, and All Tribal Liaisons: *Policy Statement Regarding Marijuana Issues in Indian Country*, October 28, 2014, *available at* http://www.justice.gov/sites/default/files/tribal/pages/attachments/2014/12/11/policystatementregardingmarijuanaissuesinindiancountry2.pdf

randum 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.[32]

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 for the development of marijuana law reform in the states, such certainty is at best fleeting. For 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 2017 and they may have very different views about marijuana enforcement than do the current holders of those offices.[33] Thus, even if the Second

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[32] See: Michelle Ye Hee Lee, *Can Eric Holder Change the Federal Drug Classification of Marijuana?* THE WASHINGTON POST, February 26, 2015, *available at* *http://www.washingtonpost.com/blogs/fact-checker/wp/2015/02/26/can-eric-holder-change-the-federal-drug-classification-of-marijuana/;* Matt Ferner, *Eric Holder Signals Support For Marijuana Reform Just As He's Heading Out The Door,* THE HUFFINGTON POSt, September 25, 2014. The Obama administration also released a memo during this period instructing banks on how they could do business with those in the marijuana business. (United States Department of Justice, Office of the Deputy Attorney General, Memorandum for All United States Attorneys: *Guidance Regarding Marijuana Related Financial Crimes*) As we'll see below, however, this memorandum was significantly less clear (and permissive) than others being written at the same time.

[33] In fact, the fragility of enforcement pronouncements was made clear when Loretta Lynch replaced Eric Holder as attorney general in April 2015. See Matt Apuzzo and Jennifer Steinhauer, *As Attorney General, Loretta Lynch Plans Striking New Tone for the Justice Dept.*, NEW YORK TIMES (April 23, 2015), http://www.nytimes.com/2015/04/24/us/as-attorney-general-loretta-lynch-plans-to-shift-tone-for-justice-dept.html?_r=0 ("Under Mr. Holder, the Justice Department did not stand in the way of states that legalized marijuana. And in his final months in office, he questioned whether the government should keep marijuana on the list of the most serious drugs, in the same category as heroin. Ms. Lynch, who told aides during the confirmation process that she had never smoked marijuana, does not share that view. She told the Senate that she did not

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 quadriplegic employed by Dish Network in Colorado.[34] Mr. Coats was also a medical marijuana patient, using 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."[35] 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 the *Coats* case 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

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support legalization and did not agree with Mr. Obama that marijuana may not be more dangerous than alcohol.").

[34] Coats v. Dish Network, 2015 CO 44.

[35] CRS § 24-34-402.5.

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 to one of these agreements or orders chooses to use marijuana, the reasoning in the *Coats* case would dictate that they are not in compliance with the law and therefore subject to whatever sanctions are set forth for violating the underlying agreement or order. In other words, engaging in conduct that remains criminal (under federal law) can have significant negative repercussions even if, as we've 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 business whose sole activity constitutes a 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. For example, while the federal government has not been prosecuting those businesses for violating the CSA, civil suits pose an acute challenge. In early 2015, a pair of RICO lawsuits were filed against Colorado marijuana businesses and those who facilitated the construction, and financing of those businesses by neighbors who alleged that the defendants' illegal conduct was causing them financial loss.[36] Although there are reasons to be skeptical about the ultimate ability of these plaintiffs to prevail,[37] the specter of such suits and the cost of de-

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[36] Ricardo Baca, *Two Lawsuits Filed in Federal Court Aim to End Recreational Pot Sales in Colorado*, DENVER POST, February 19, 2015, *available at* http://www.denverpost.com/news/ci_27559155/two-lawsuits-filed-in-federal-court-aim-to-end-recreational-pot-sales-in-colorado .

[37] Sam Kamin, *Can You Fight Marijuana Laws with RICO Suits*, Jurist.org ("[T]he RICO claims that have been brought to date are unlikely even to survive a motion to dismiss in their current form."), *available at* http://jurist.org/forum/2015/04/sam-kamin-marijuana-rico.php; 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 (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…..").

fending 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.[38] The court held that Section 280E of the tax code applies to marijuana businesses operating under the aegis of state law.[39] Section 280E is a Reagan-era provision requiring those in violation of the CSA to pay tax on their ill-gotten income[40] and denying them all deductions save for the cost of goods sold.[41] 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, water, electrical, etc. This can have a devastating effect on a marijuana business' bottom line.

Further hampering the ability of marijuana businesses to function like any other is the general unavailability of banking services. 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.[42] Although the memorandum was designed to clarify that

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[38] *Olive v. Commissioner of Internal Revenue*, Tax Court 14406-08 (2015) *available at* http://cdn.ca9.uscourts.gov/datastore/opinions/2015/07/09/13-70510.pdf

[39] *Id*.

[40] 26 USC § 280E ("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 (or the activities which comprise such trade or business) consists of trafficking in controlled substances (within the meaning of schedule I and II of the Controlled Substances Act) which is prohibited by Federal law or the law of any State in which such trade or business is conducted.")

[41] Edward J. Roche, Jr., *Federal Income Taxation of Medical Marijuana Businesses*, 66 TAX LAWYER 429, 437 ("The strong public policy grounds did not give Congress enough of a basis to consider eliminating the deduction for cost of goods sold. The Senate Report 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.'"

[42] United States Department of the Treasury, Financial Crimes Enforcement Network, Guidance Document FIN-2014-G001, *BSA Expectations Regarding Marijuana-Related Businesses*, February 14, 2014, *available at*

"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"[43] in reality it did little to encourage federally regulated financial institutions to do business with the marijuana industry. The FinCEN memo did describe the ways in which financial institutions could work with the marijuana industry, although the memo often seemed more cautionary than encouraging.[44] 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. Absent legislative change at the federal level, the banking problem for marijuana businesses is unlikely to go away any time soon.[45]

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.[46] Similarly, bankruptcy protections have been

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http://www.fincen.gov/statutes_regs/guidance/pdf/FIN-2014-G001.pdf [Herinafter "FinCEN Memo."]

[43] FinCEN press release at 1, available at http://www.fincen.gov/news_room/nr/html/20140214.html.

[44] FinCEN Memo 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").

[45] See, Nathaniel Popper, *Banking for Pot Industry Hits a Roadblock*, NEW YORK TIMES (July 31, 2015), *available at* http://www.nytimes.com/2015/07/31/business/dealbook/federal-reserve-denies-credit-union-for-cannabis.html (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).

[46] See, e.g., *Haberle v. Blue Sky*, 11CV709, Arapahoe County, Aug. 8, 2012 (finding unenforceable under Colorado law, a contract for the delivery of $40,000 worth of medical marijuana); *Hammer v. Today's Health Care II,* CV2011-051310, Superior Court of Arizona, Maricopa County (April 17, 2012) (finding unenforceable a loan agreement of $500,000 between two individuals and a Colorado medical marijuana dispensary); but see CRS Sec. 13-22-601("It 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.)

found unavailable to marijuana businesses who would otherwise qualify for them. Because bankruptcy is a federal benefit, courts have reasoned, those appearing before a federal court to request such a benefit must do so with clean hands.[47] Thus, if a debtor has been in the business of violating federal law, or has even benefitted from the criminal violations of others,[48] 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 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 intellectual property 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 who facilitate the manufacture or sale of marijuana could be indicted as aiders and abetters or co-conspirators in violation of the CSA.[49] 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 lawyers who represent marijuana businesses. For example, the RICO lawsuits mentioned above could have used the same theory to name as defendants the attorneys who incorporated the businesses, wrote the contracts, and so on, for the marijuana businesses alleged to be at the center of the RICO violations.[50] While we continue to believe such a lawsuit is

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[47] In Re Rent-Rite Super Kegs West, Ltd., 484 B.R. 799 (2012) ("[E]ven if the Debtor is never charged or prosecuted under the CSA, it is conducting operations in the normal course of its business that violate federal criminal law. Unless and until Congress changes that law, the 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.")

[48] 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. See id. at 802.

[49] See, Sam Kamin and Eli Wald, *Marijuana Lawyers: Outlaws or Crusaders?*, 91 OR. L. REV. 869 (2014).

[50] *Safe Streets Alliance v. Medical Marijuana of the Rockies*, U.S.D.C. Colorado Civil Action No. 15-350, *available at* http://www.safestreetsalliance.org.php54-2.dfw1-2.websitetestlink.com/assets/media/New_Vision_Complaint.pdf

unlikely to prevail, the increased risk (and expense) 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."[51] 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.[52] 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 prohibited by the lawyer's ethical obligations.

As one of us has written, countervailing concerns militate against such a literal reading of the rule.[53] 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.[54] Most states that have considered the issue have come to the same conclusion.[55] They

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[51] MRPC 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.").

[52] A lawyer may clearly describe the state of the law to a client; nearly all commentators seem to agree that informing a client what the law is does not fall under the definition of "assisting" the client in breaking that law.

[53] Kamin and Wald, *Crusaders or Outlaws*, at 907-08 ("We believe that limiting client access to the law and to lawyers is justified in the case the more serious *mala in se* crimes – things like murder, rape, robbery and assault – but not in the case of mere *mala prohibita* crimes – crimes that are deemed bad merely because they are prohibited. In particular, we conclude that with regard to crimes like violations of the CSA that are *mala prohibita*, strong policy reasons support" a more lenient reading of the rule.).

[54] Id. at 871

[55] See, Ill. SBA Professional Conduct Advisory Opinion 14-07 ("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

have generally permitted lawyers to assist 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.

But an added wrinkle to the story makes the Colorado example a telling one. The state 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."[56] This appeared to resolve the issue in the state, providing some assurance for lawyers representing marijuana clients in Colorado that they did not face discipline for doing so.[57] That assurance was quickly undermined, however, when the Federal District of Colorado refused to 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,[58] with the caveat that "the lawyer shall also advise the client regarding related federal law and poli-

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advice to those engaged in nascent medical marijuana businesses is far better than forcing such businesses to proceed by guesswork."); Washington State R. P. C. 12(d) Comment 18 ("At least until there is a change in federal enforcement policy, a lawyer 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 Arizona Ethics Opinion 11-01 ("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."); but see Connecticut Informal Opinion 2013-02 ("It is our opinion that lawyers may advise clients of the requirements of the Connecticut Palliative Use of Marijuana Act. Lawyers may not assist clients in conduct that is in violation of federal criminal law. Lawyers should carefully assess where the line is between those functions and not cross it.").

[56] Comment 14 to Co. R. P. C. 1.2(d).

[57] See supra note XXX, supra.

[58] D.C. COLO. LAttyR 2(b)(2).

cy."[59] 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 not insignificant risk remains for 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 intellectual property protections.

It is against this background that we explore the interaction of marijuana law and policy and federal intellectual property 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 intellectual property protection, marijuana practitioners will have somewhat restricted access to the federal intellectual property regimes. In the parts that follow we discuss the various kinds of intellectual property protection – trademark, patent, and copyright – and the implications for the marijuana industry of the continuing federal prohibition.

II. Trademark Law & 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' commerce clause power,[60] and it provides a federal cause of action for entities

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[59] Id.

[60] The first trademark act was passed in 1870, when Congress enacted the legislation pursuant to the patent and copyright clause, U.S. Const. Art. I, § 8, cl. 8. The Supreme Court rejected that action as beyond Congress' authority. The Trade-Mark Cases, 100 U.S. 82 (1879). Congress then passed the legislation pursuant to its Commerce Clause authority.

who believe that a competitor is causing "confusion" in the marketplace or is likely to cause such confusion.[61]

Those seeking federal trademark protection may register their marks with the United States Patent and Trademark Office (USPTO). That registration provides some benefits: a presumption of nation-wide rights, the right to use the trademark registration symbol – ® – and notice to competitors of the use of the mark.[62] It is not necessary, however, to register a trademark with the USPTO in order to get protection. 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.[63]

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.[64] 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. 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.[65] In addition to the 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.

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."[66] Distinctiveness means that consumers associate the mark with a particular source.[67] The name "Apple," used in connection with computers, for example, is distinctive, and therefore is a protectable trademark, because users

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[61] 15 U.S.C. § 1114(1)(a),(b).
[62] 15 U.S.C. § 1111.
[63] Two Pesos, Inc. v. Taco Cabana, Inc., 505 U.S. 763, 767 (1992).
[64] 20th Century Wear, Inc. v. Sanmark-Stardust, Inc., 747 F.2d 81, 92 (2d Cir. 1984).
[65] *See generally*, *Two Pesos*, *supra* note XX.
[66] Lopez v. Gap, Inc., 883 F. Supp. 2d 400, 415 (S.D.N.Y. 2012).
[67] Wal-Mart Stores v. Samara Bros., 529 U.S. 205, 210 (2000).

regularly and automatically associate the name and the logo with computers and attach goodwill to that association. 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."[68] As mentioned above, the Lanham Act was passed pursuant to Congress' commerce power, and as a result a threshold question in considering a trademark application is whether the mark sought to be protected is being used by the applicant in commerce. In applying to register a trademark or in asserting a claim of infringement, the mark owner must assert that it is engaging 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."[69] 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 & Regulated Marijuana Businesses

For a few brief months in 2010, businesses that produced or sold marijuana legally (under state law) thought they had gotten lucky. The United States Patent and Trademark Office created a new "international class" – a new category – for marijuana products: "processed plant matter for medicinal purposes, namely medical marijuana."[70] A number of trademark applications were filed, but the USPTO quickly reversed course, got rid of the new classi-

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[68] *Lopez*, 883 F.Supp.2d at 415. An entity may also register a mark before it is used in commerce based on an "intent to use" standard that requires actual use within six months of the ITU application. 15 U.S.C. 1051(d)(1).

[69] *See infra*, Part __.

[70] Justin Scheck, *Patent Office Raises High Hopes, Then Snuffs Them Out*, WALL ST. J. (July 19, 2010), http://www.wsj.com/articles/SB10001424052748704682604575368783687129488.

fication, and shortly thereafter began denying applications for marijuana products on the grounds that the drug is illegal under federal law.

Currently the UPSTO will reject trademark applications for registration from growers, producers, and sellers of marijuana on the basis of this illegality doctrine.[71] So, for example, the PTO 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."[72] 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.[73]

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,[74] so trademark registration is 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.[75] 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

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[71] *Id.*

[72] U.S. Patent and Trademark action *in re* The Canny Bus, U. S. PATENT AND TRADEMARK OFFICE (December 13, 2010), http://tsdr.uspto.gov/ (search U.S. serial number 76701811, select "Documents" tab, then click "Offc Action Outgoing).

[73] *Id.*

[74] In re Rent-Rite Super Kegs West Ltd., 484 B.R. 799 (Bkrtcy.D.Colo.,2012).

[75] C.R.S. 12-43.4-901(4)(f)

to assert before the USPTO that it was using the mark in commerce?

In *Gonzalez 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.[76] The Lanham Act, like the Controlled Substances Act, was also passed pursuant to Congress' Commerce Power,[77] but it is not clear that 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 the Lanham Act. For now, though, we will leave exploration of that unsettled question for a later article.

Even if a marijuana business were somehow permitted to register a trademark with the PTO, 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.[78] To so declare in the marijuana context would be an admission, under oath, that the owner of the mark is operating in violation of the Controlled Substances Act.[79] Even with the Obama administration's stated hands off enforcement policy, few people would want to make such an admission, and most lawyers are unlikely to recommend doing so.

That assumes, of course, that a marijuana business is able to find a lawyer willing to help it with its trademark needs. It is important to remember, as noted above,[80] that marijuana businesses may have more difficulty than other businesses in finding lawyers willing to assist them in their efforts to comply with both state law and in securing intellectual property rights.[81] If some courts, like

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[76] 545 U.S. 1, 22 (2005).

[77] United We Stand America, Inc. v. United We Stand, America N.Y., Inc., 128 F.3d 86, 92-4 (2d Cir. 1997).

[78] *See generally*, USPTO website; http://www.uspto.gov/learning-and-resources/trademark-faqs (last visited August 14, 2015).

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[80] *See supra* Part __.

[81] D.C. Colo. LAttyR 2.

the Federal District Court in Colorado, declare that assisting marijuana businesses in their efforts to comply with state law is an ethical violation,[82] many lawyers will at least hesitate before taking on marijuana clients, and some will decline such representation all together. 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.[83]

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 – *have* received federal trademark registrations for marks that include the word "marijuana" and images of marijuana plants. For example, the mark "KITTYJUANA" for catnip was registered,[84] as was the phrase "NO ONE BELONGS IN JAIL FOR MARIJUANA."[85] A company offering "cannabis advertising services" received a registration for the mark "MARIJUANA INTERNATIONAL."[86] 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 actually grow, buy, and sell the actual product do not. If, as many people believe will happen,[87]

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[82] *See supra* Part __.

[83] 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. And law firms that are not devoted entirely to representing marijuana clients may be particular skittish.

[84] Trademark status of "Kittyjuana," U.S. PATENT AND TRADEMARK OFFICE, March 31, 2012, http://tmsearch.uspto.gov (select "Basic Word Mark Search" and enter "kittyjuana").

[85] Trademark status of "NO ONE BELONGS IN JAIL FOR MARIJUANA!," U.S. PATENT AND TRADEMARK OFFICE, May 7, 2013, http://tmsearch.uspto.gov (select "Basic Word Mark Search" and enter "no one belongs in jail for marijuana").

[86] Trademark status of "Marijuana International," U.S. PATENT AND TRADEMARK OFFICE, Feb. 21, 2012, http://tmsearch.uspto.gov (select "Basic Word Mark Search" and enter "marijuana international").

[87] For a discussion of the latest attempt to reclassify marijuana, see Steven Nelson, *Major Pot Reform Bill Introduced in Senate*, U.S. NEWS AND WORLD REPORT (March 5, 2015),

marijuana is eventually decriminalized 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 in some significant ways be behind in terms of selecting marks and establishing goodwill under those marks.

So, 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. 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.[88]

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http://www.usnews.com/news/articles/2015/03/10/major-pot-reform-bill-introduced-in-senate.

[88] 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." Sprigman & Raustiala, "Can Marijuana Brands Be Protected Against Copying?" freakonomics.com, August 22, 2012, available at http://freakonomics.com/2012/08/22/can-marijuana-%E2%80%9Cbrands%E2%80%9D-be-legally-protected-against-copying/ (last visited August 9, 2015).

It is clear from federal registrations and from multiple anecdotal reports that marijuana businesses are engaging in what we term "trademark laundering." Rather than seeking trademark protection for marks used in connection with the sale of marijuana, businesses producing or selling marijuana regularly pursue protection for the use of their desired marks on, for example, t-shirts, or pipes, or consulting services. They file trademark applications for these uses and, as we have seen, registration for such marks is regularly granted.[89] 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 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 it on additional goods or services not mentioned in the trademark application. 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.[90]

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

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[89] 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. Thus far, this strategy has been effective.

[90] 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.

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."[91] 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 increased the value of those marks that are properly secured."[92] 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."[93]

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 per-

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[91] Alison Malsbury, *Marijuana Trademarks*, CANNA L. BLOG (Sept. 29, 2014), http://www.cannalawblog.com/marijuana-trademarks/ (last visited Aug. 6, 2015).

[92] *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." Ellen Chang, *Marijuana Companies Try to Protect the Intellectual Property of Their Pot Brands*, MAINSTREET.COM (March 28, 2014), https://www.mainstreet.com/article/marijuana-companies-try-protect-intellectual-property-their-pot-brands (last visited Aug. 6, 2015).

[93] 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.").

fect, 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 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. We do not answer that question here, but such concerns are likely to dissuade some lawyers from representing marijuana businesses in such conduct.

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 federal court, in particular, may be unavailable to lawyers representing marijuana clients.[94] In Colorado, marijuana businesses have been willing to bring cases in state court,[95] but because of the fact that the federal court in Colorado has announced that lawyers representing marijuana clients are at substantial risk if they appear in federal court on behalf of those clients, that forum is essentially closed to marijuana businesses.[96] Thus, a marijuana business may

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[94] *See supra* Part __.

[95] 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.

[96] *See supra* Part I.

be able to cobble together a federal trademark right but not be in the position to obtain a federal trademark remedy.[97]

Even in states where the federal courts haven't explicitly discouraged lawyers from representing marijuana businesses, federal trademark rights for marijuana businesses may still be somewhat tenuous. Marijuana businesses may well prefer not to risk exposure, negative publicity, or the possibility of making bad law in court. And 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.[98] 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 law even as they are unable to reap all of the benefits. 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 the Hershey's Reese's Peanut Butter Cups.[99] It was obviously no defense for the Colorado company that its product was being sold in violation of federal law; they reached a settlement with Hershey's and almost certainly would have been found liable

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[97] 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. PATENT AND TRADEMARK OFFICE, http://www.uspto.gov/page/about-trademark-infringement (last visited Aug. 6, 2015).

[98] Based on conversations with California lawyers representing marijuana businesses.

[99] Keith Coffman, *Hershey settles infringement lawsuits with two edible pot companies*, REUTERS (Oct. 17, 2014), http://www.reuters.com/article/2014/10/18/usa-hershey-marijuana-idUSL2N0SD03620141018.

for trademark infringement had the case gone to court. 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.

D. State Law Alternatives to Federal Trademark Protection

Both formally and in practice, federal trademark law appears 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 about protecting consumers and the goodwill of businesses. State trademark and trade name protection were the precursors of the federal act and continue to operate in similar ways today. Trade secret law, a creature wholly of state, rather than federal, law provides a cause of action against certain forms of unfair competition.[100] State unfair or deceptive trade practices acts also exist in most states in one form or 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 most 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.[101] Evidence from the marketplace also

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[100] Trade secret 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. Rolfe Christopher, et al., 431 F.2d 1012, 1015 (5th Cir. 1970).

[101] A 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,"

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 branded items, which they call "swag."[102] This demonstrates an invocation of federal law, as the ™ symbol represents an effort to acquire federal rights. 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.[103]

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.[104] Marijuana legalization is still a relatively new phenomenon, and relatively 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.[105]

But, at the risk of discounting the protections that these various doctrines provide, gaps nonetheless exist 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 to ancillary marijuana businesses. Furthermore, it will be more

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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.

[102] *Dixie Gear*, DIXIE SWAG, http://www.dixieswag.com/ (last visited July 25, 2015).

[103] "Dixie Elixirs" is a registered trade name in Colorado, although the company does not have a registered trademark in the state. Trade name summary for Dixie Elixirs, COLORADO SECRETARY OF STATE, http://www.sos.state.co.us/biz/AdvancedSearchCriteria.do (click the "trade name" box and enter "Dixie elixirs").

[104] 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.

[105] 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 a marijuana-related business.

difficult for a marijuana 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 have essentially no access to the federal courts, limited access to the state courts in the states in which they operate, and will face difficulty in securing lawyers to help them navigate this unusually difficult legal landscape.

III. Patent law & 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 – are often more valuable than tangible things, 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.

A. A Brief Patent Law Background

The current version of the federal Patent Act,[106] passed in 1952 and amended many times since, provides 20 years of protection to new,[107] useful,[108] nonobvious[109] inventions – processes, machines, manufactures, or compositions of matter.[110] In order to get a patent, an application must be filed with the United States Patent & Trademark Office (USPTO). In the application, the appli-

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[106] 35 U.S.C. § 101.
[107] 35 U.S.C. § 102(a) (setting forth the definition of "novelty").
[108] 35 U.S.C. § 101. Patent law does not have an illegality doctrine, but it does require that an invention be "useful" in order to be patented. As currently formulated, the utility doctrine does not present a particularly high hurdle. There is a version of the utility doctrine termed "moral utility" that prohibited the patenting of illegal or illicit devices or processes. The moral utility doctrine has been largely discredited and unused. Juicy Whip v. Orange Bang, 185 F.3d 1364, 1367 (Fed. Cir. 1999). Even so, there is no reason why it couldn't at some point be revitalized.
[109] 35 U.S.C. § 103.
[110] 35 U.S.C. § 101.

cant must describe and "enable" the invention in a way that allows others to, without excessive difficulty, reproduce the invention based on the written submission.[111] If granted, a patent provides a strong set of protections for the patent holder. The patent holder may keep others from making, using, or selling the invention and, in some cases, similar inventions as well, for 20 years.[112] And there are few defenses to a claim of patent infringement.[113] For example, even if someone else independently comes up with the same invention, she may not exploit it without the patent holder's permission. There is no fair use defense, and even the experimental use defense is narrowly drawn. 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.[114] Furthermore, it is rare that an application goes smoothly through the USPTO on a first attempt. Instead, it must often be amended, sometimes more than once, and many applications are ultimately rejected.[115] In addition, once an application has been on file with the USPTO for eighteen months it becomes public. This means that the applicant forfeits any trade secret protection in the subject matter, even if the application is ultimately rejected.[116] Thus, the inventor must make an election between the protections of federal patent law and state trade secret law. To be sure, there are some circumstances in which state trade secret may be preferable to federal patent protection. But while patent protection is not right for every invention, and while it is out of reach for some inventors and

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[111] 35 U.S.C. § 112(a)

[112] 35 U.S.C. § 154(a)(2).

[113] 35 U.S.C. § 282(b).

[114] *Inventor's Guide*, STANFORD UNIVERSITY OFFICE OF TECHNOLOGY LICENSING, 20 (May, 2012), https://otl.stanford.edu/documents/OTLinventorsguide.pdf. (last visited Aug. 6, 2015).

[115] *Id.* at 22.

[116] *Published Patent Application Access and Status Information Sheet for Members of the Public,* U.S. PATENT AND TRADEMARK OFFICE, http://www.uspto.gov/patents-application-process/patent-search/published-patent-application-access-and-status-information. Patent protection and state trade secret protection are mutually exclusive, so an inventor must make a choice as between those two forms of protection. This is one of the reasons that state trade secret law is not preempted by federal patent law.

businesses, patents can be extremely valuable assets for many companies, and, for some, the cornerstone of their business.

Generally speaking, the goals animating the patent system differ fundamentally from those of the trademark regime. The Patent Act was passed pursuant to Congress' authority under 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."[117] 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.[118] In the absence of such rights, the theory goes, we will not achieve the ideal 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.[119]

B. Patent Law & 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 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 be-

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[117] U.S. CONST., art. I, § 8, cl. 8.

[118] *See, e.g.*, Jeanne C. Fromer, *Expressive Incentives in Intellectual Property*, 98 VA. L. REV. 1745 (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.")

[119] U.S. CONST., Art. I, sec. 8, cl. 8 ("for Limited Times").

cause 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 intellectual property 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 in violation of the CSA. As part of patent application, the applicant must describe the invention in detail,[120] and "enable" the invention.[121] The written description requirement involves a demonstration that the applicant "possesses" the invention.[122] 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.[123] 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.

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[120] 35 U.S.C. § 112(a) ("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* AbbVie Deutschland GmbH & Co. v. Janssen Biotech, Inc., 759F.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.").

[121] 35 U.S.C. § 112(a). Section 112(a) includes the written description requirement and the enablement requirement. The Federal Circuit has emphasized that the two are distinct requirements. *Ariad Pharmaceuticals, Inc. v. Eli Lilly & Co.*, 598 F.3d 1336, 1341 (Fed. Cir. 2010) (*en banc*.).

[122] *Ariad*, 598 F.3d at 1371-72 (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.").

[123] *Id.* at 1351.

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.[124] 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[125] and an instance of professional misconduct.[126] 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 of legal representation of marijuana businesses is unethical conduct.[127] In light of this risk, patent attorneys (whose entire practice might be in federal court) might simply choose not to take marijuana entities as clients.

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.[128] The federal courts may be a particularly unappealing venue for a marijuana business, however. 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, since 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, as well, face significant hurdles. As we have seen generally and in the trademark context,[129] lawyers who represent marijuana businesses face ethical

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[124] *USPTO Rules of Professional Conduct,* U.S. PATENT AND TRADEMARK OFFICE, http://www.uspto.gov/learning-and-resources/ip-policy/current-practitioners/uspto-rules-professional-conduct (last visited Aug. 6, 2015).

[125] *See* Sam Kamin & Eli Wald, *Marijuana Lawyers: Outlaws or Crusaders?*, 91 OR. L. REV. 869, § II (2013).

[126] MODEL RULES OF PROF'L CONDUCT R. 8.4 (provides that it is professional misconduct to "commit a criminal act that reflects adversely on the lawyer's honesty, trustworthiness or fitness as a lawyer in other respects."), *available at* http://www.americanbar.org/groups/professional_responsibility/publications/model_rules_of_professional_conduct/rule_8_4_misconduct.html (last visited Aug. 6, 2015).

[127] *See supra* Part __.

[128] 28 U.S.C. § 1338 (denying states "jurisdiction over any jurisdiction over any claim for relief arising under any Act of Congress relating to patents").

[129] *See supra* Part II.

issues 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.[130] 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 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 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. 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 may not itself sue if it believes that its patent is being infringed.

C. State Law Alternatives to Federal Patent Law

While the obstacles 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. 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.[131] The 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 sys-

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[130] *See supra* notes 112, 113. It might be considered not just an ethical breach but a violation of the Controlled Substances Act for aiding and abetting a federal drug violation.

[131] Bonito Boats, Inc. v. Thunder Craft Boats, Inc., 489 U.S. 141, 167-8 (1989).

tem.[132] Secrecy as a method of protecting intellectual property has significant downsides, however. While trade secret law is in some circumstances a powerful form of intellectual property protection,[133] its "leakiness" has been well-documented. Indeed, one of the reasons that state trade secret law is not preempted by federal patent law is that it is subject to an entire range of defenses not available under patent law.[134] Once a trade secret becomes public, for example – and that can happen in a variety of ways: disclosure, reverse engineering, independent invention, or disclosure by a third party – legal protection disappears. Furthermore, the remedies for misappropriation of a trade secret or for breach of a confidentiality agreement are limited, especially as compared to patent law.[135]

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 mo-

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[132] The marijuana law commentators have made this point forcefully. The 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 non-disclosure 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." Robert McVay, *Protecting Trade Secrets in the Marijuana Industry*, CANNA LAW BLOG, (Feb. 9, 2015), http://www.cannalawblog.com/protecting-trade-secrets-in-the-marijuana-industry/ (last visited July 4, 2015).

[133] The fact that Coca-Cola has managed to keep its formula a secret for nearly 100 years is legendary. Ivanna Kottasova, *Does formula mystery help keep Coke afloat?*, CNN, (Feb. 19, 2014), http://edition.cnn.com/2014/02/18/business/coca-cola-secret-formula/. If Coke has obtained a patent instead, the patent would have expired many, many years ago. For an empirical analysis of trade secret cases, *see* David S. Almeling, et al., *A Statistical Analysis of Trade Secret Litigation in State Courts*, 46 GONZ. L. REV. 57 (2010-11) and David S. Almeling, et al., *A Statistical Analysis of Trade Secret Litigation in Federal Courts*, 45 GONZ. L. REV. 291 (2009-10).

[134] *See* Kewanee Oil Co. v. Bicron Corp., 416 U.S. 470 (1974).

[135] *Compare* 35 U.S.C. §§ 283, 284, 285 (providing for injunctive relief, damages – including the possibility of treble damages – and attorneys' fees for patent infringement) *with*, for example, the Uniform Trade Secrets Act § 2 (providing for the possibility of injunctive relief, but in a substantially limited way) and § 3 (providing for damages, but not treble damages).

nopoly-like rights to the invention for "Limited 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. As discussed above, patent law involves a very strong set of rights, much stronger than those provided by trade secret law, and this is meant to push inventors toward the patent system: as a policy matter, we prefer that inventions be publicly disclosed and, ultimately, publicly available.

For the marijuana industry, trade secret law may not provide much assistance in guarding its intellectual property. Trade secret law protects secret, valuable information that is subject to reasonable measures to keep it secret.[136] Any item that is publicly available, however, may be reverse engineered, and many inventions are simply not capable of remaining secret once they have been distributed. 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 design, 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 protections during the development of the device, but once it was made public – once it was sold, in other words – the secrecy of the process, and the legal protection associated with it, would disappear.

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 protection. This is often accomplished in conjunction with a business' strenuous trade secret efforts. A marijuana business will, for example, ask its employees to sign confidentiality and non-compete agreements[137] that include references to the company's trade secrets and other "confidential" and "proprietary" information. The business will also enter into agreements with

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[136] *See* John Gladstone Mills III, et al., *Appendix 4(D) Uniform Trade Secrets Act*, 1 PAT. L. FUNDAMENTALS APPENDIX 4(D) (2D ED.); *see also* C.R.S. §7-7-101(4) ("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.").

[137] This is less likely in California, where non-competes are categorically unenforceable, but the rest of the strategy is similar. *See* Cal. Bus. & Prof. § 16607; *see also* Edwards v. Arthur Anderson LLP, 44 Cal. 4th 937 (Cal. 2008).

suppliers, producers, and others in the industry, and include in those agreements confidentiality and non-disclosure provisions.

Few of these agreements are public, and we have not had the opportunity to review these kinds of documents. Anecdotally, however, we have been led to believe that marijuana businesses regularly "license" the intellectual property rights – often unspecified, but perhaps trade secrets, brand names, and the like – that they believe they have, and appear to do so not just within one state but among businesses in the variety of states that have legalized marijuana to one extent or another. For example, a Colorado company that extracts the active ingredient from marijuana and then puts it into a vape pen for consumption might have a great deal of intellectual property it wishes to protect. It might want to patent the way the marijuana is prepared for extraction, the extraction process itself, and the vaporizing process 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 get either trademarks or enforceable patents for its marijuana processes and marks. So 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 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.[138] Under this licensing arrangement, the licensee would be able to take advantage of Oregon's intellectual property 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 only call for litigation in state courts 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 choose to do so is through the process of mediation of disputes before a private entity. A market appears to be developing for mediators willing to resolve marijuana disputes for parties wary of more traditional dispute resolution in court. How would such mediation results be enforced, however? That is, what would keep the losing party from simply refusing to pay or otherwise comply with the mediator's decision? The answer cannot be the same as it is for run of the mill mediation results, which can be enforced by court order. For if the underlying dispute cannot be resolved in court because of marijuana's continuing prohibition, the mediation result resolving that dispute would seem just as toothless. The answer might lie here as it does in other contexts, in the use of performance bonds. That is, the mediator could require the disputants to lodge with her a bond equal to the amount in dispute and then enforce her agreement directly – by distributing the bonded funds directly – rather than relying on the voluntary compliance of the parties.

What all of this demonstrates is that the general unavailability of federal intellectual property 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.

IV. Copyright law and Marijuana

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[138] For example, Dixie Elixirs recently announced that it was licensing its successful Colorado edible products to a California manufacturer. Molly Ambrister, *Dixie Elixirs to Expand Its Brand to California*, DENVER BUSINESS JOURNAL (June 15, 2015) https://www.google.com/webhp?sourceid=chrome-instant&ion=1&espv=2&ie=UTF-8#q=dixie+elixirs+goes+national&tbm=nws.

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[139] – there have been very few common law copyright protections afforded by states 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.[140] 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.[141] 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* was obtained a copyright registration in 2010.[142] Logos and other designs for marijuana stores area properly the subject of copyright protection.[143]

While federal copyright law is thus available to those in the marijuana industry, it provides only a limited kind of 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 and music and art and perhaps

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[139] 17 U.S.C. § 301(a) (". . . all legal or equitable rights that are equivalent to any of the exclusive rights within the general scope of copyright . . . that are fixed in a tangible medium of expression and come within the subject matter of copyright . . . are governed exclusively by this title. . . . [N]o person is entitled to any such right in any such work under the common law or statutes of any State.")

[140] *See* Eldar Hadar, *Copyrighted Crimes: The Copyrightability of Illegal Works*, 16 YALE J.L. & TECH. 454, 454 (2013-14) (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.).

[141] For example, the following – Copyright © 2015 Portland Alternative Clinic: serving the Medical Marijuana Community – appears at the bottom of that organization's website. Available here: http://portlandalternativeclinic.com/ (last visited August 9, 2015). 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.

[142] See Copyright Registration Number TX0007338667.

[143] A Google images search for "marijuana logo design" reveals thousands of images, the vast majority of which would be entitled to copyright protection.

software, but provides little protection for some other industries. Thus, the availability of copyright protection hardly fills the gap left by the unavailability of trademark and patent law. What is more, the availability 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.[144] As is the situation with patent claims and federal trademark suits, 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.[145]

V. The Surprising IP Consequences of the Simultaneous Federal Prohibition of Marijuana and State Decriminalization

A. Downsides

The intellectual property challenges for marijuana businesses in the states where marijuana has been legalized and regulated are both many and relatively clear. If one is hopeful that marijuana will eventually be legalized at the federal level, the current patchwork of protection should raise serious concerns. The marijuana industry is likely to be hobbled by the inability to assert IP rights, particularly as compared to ancillary businesses that are not similarly affected.[146] 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.[147]

On the other hand, if one does not view the trend of legalization as either inevitable or beneficial, then the IP problem – and the bankruptcy problem, and the banking problem, and the other federal law problems – is not a problem at all. As the tech folks

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[144] See Amy B. Cohen, *"Arising Under" Jurisdiction and the Copyright Laws*, 44 HASTINGS L. J. 337, 337 (1993) ("Section 1338(a) of title 28 of the United States Code gives the federal district courts original and exclusive jurisdiction over matters arising under the copyright laws")

[145] 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.

[146] *See supra* Part __.

[147] *See supra* Part __.

might say, the obstacles placed in the path or 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 successful businesses have great difficulty expanding nationally or internationally. Added to this list is the near complete lack of availability of the federal intellectual property 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.[148] The relative lack of formal protections available to the marijuana industry may offer something of a boon in this regard.[149]

From a broader perspective, however, the relative lack of intellectual property 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 protect their names and goodwill

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[148] 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*, U.S. PATENT AND TRADEMARK OFFICE, http://www.uspto.gov/learning-and-resources/trademark-faqs. Of course, litigating a trademark infringement claim is far more costly.

[149] 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.

without the full force of federal trademark law. We explore both of these questions in this final section 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 recently been a great deal of attention paid to the question of innovation in the absence of intellectual property protection.[150] Some of this literature tells us more about particular industries than about intellectual property policy as a general matter, but the evidence is mounting that the conventional story[151] – that intellectual property protection is necessary in order to incentivize innovation – is at best a vast oversimplification and more likely wrong in a variety of instances.[152]

A look at the developments in the marijuana businesses in Colorado, California, and elsewhere makes clear that solid patent protection is not the *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

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[150] Elizabeth L. Rosenblatt, *Intellectual Property's Negative Space: Beyond the Utilitarian*, 40 Florida St. L. Rev. 441, 442 (2013) ("Intellectual property law stringently protects some areas of creation and innovation. It does not protect others, either because the law excludes them from protection or because creators opt out of protection or enforcement. Some of these unprotected areas 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.").

[151] Scholars have conducted a variety of case studies, on subjects as diverse as fashion, magic tricks, stand-up comedy and open source software. *See* Rosenblatt, *supra* note __, at 442-43 & nn. 4-15.

[152] *See* Rosenblatt, *supra* note __, at 444 (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.")

billion by 2019 – even without a change in federal law.[153] Currently a National Cannabis Business 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 & Accounting.[154] 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 will be taught by experts from both the investment industry and the successful entrepreneurs of the legal marijuana community."[155] An investment group specializing in marijuana startup companies was recently valued at nearly a half a billion dollars.[156] And all of this entrepreneurialism is occurring in a context where it is often difficult for investors to obtain an equity interest 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 in the fields of software, agriculture, chemistry, biology, among many others.[157] 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.[158] In other words, there is a

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154 CANNABIS BUSINESS SUMMIT, http://www.cannabisbusinesssummit.com/fall-cannabis-regional-2015/(last visited Aug. 6, 2015).

155 *Why Attend*, MARIJUANA INVESTOR SUMMIT, http://www.marijuanainvestorsummit.com/why-attend/ (last visited Aug. 6, 2015).

156 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 Aug. 6, 2015).

157 Debra Borchardt, *Medical Marijuana Sparks New Technology*, FORBES (March 30, 2015) ("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 news ones are being born to address the specific needs of this new sector. Government agencies and business owners find that they are at ground zero for the creation of these new products.").

158 "Maria Gallucci, *Legal Marijuana Cultivation is Driving a Technology Revolution in Industrial Agriculture*, INTERNATIONAL BUSINESS TIMES, (May 17,

huge amount of technological 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. O.penvape, a company that makes vaporizing pens with interchangeable marijuana sells more than 200,000 units per month in 7 states where marijuana is legal.[159] Other examples abound throughout the industry.

In this article, we do not undertake a rigorous empirical study of the effect of the relative lack of patent protection for the marijuana industry (and it's not clear how such a study could be conducted). The rapid development of marijuana businesses, the investment in those companies, and the variety of technological advances in the industry do, however, provide evidence that the federal patent system may not be a necessary ingredient for "progress"[160] in this business context.

2015) http://www.ibtimes.com/legal-marijuana-cultivation-driving-technology-revolution-industrial-agriculture-1925167 ("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 alone: 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."); Julie Weed, *Marijuana Growers Inspire Lighting Company Innovation*, FORBES (April 14, 2015) http://www.forbes.com/sites/julieweed/2015/04/14/marijuana-growers-inspire-lighting-company-innovation/ ("Each time a new state legalizes marijuana, entrepreneurs jump in to fill niches that can play a part in cannabis growth or sales there. With new greenhouses and growing spaces come purchases of new grow-lights, an essential tool for a robust cannabis crop, and start-up lighting companies are responding to the need with innovative products.").

[159] Will Yakowicz, *The Marijuana Business That's Becoming a Brand Name*, INC. http://www.inc.com/will-yakowicz/open-vape-cannabis-oil-vaporizer-national-brand.html ("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, which has a smartphone stylus on one end, and on the other a clear plastic cartridge filled with honey-brown THC oil and a black mouthpiece.")

[160] U.S. Const., Art. I, sec. 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").

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. Anecdotally, there seems to be some evidence that potential infringers might be somewhat emboldened by the precarious legal position in which marijuana businesses sit.[161] In addition, as a practical matter, marijuana businesses simply cannot do the kinds of national branding, advertising and expansion in which other companies regularly engage. 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? It is still too soon to tell.

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 a as laboratories of ideas, to the appropriate balance of power between the state and federal governments.

In the federal intellectual property 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 intellectual property 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 intellectual property protection – like their inability to bank, to 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.

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[161] *See supra* note ___.