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Colo. Ruling Could Provide Road Map For Cannabis Inventors

By **Matthew Bultman**

Law360 (April 25, 2019, 12:13 PM EDT) -- The first marijuana-derived patent to be tested in a federal court has survived an early eligibility challenge, soothing concerns about enforcing cannabis patents through litigation and providing the industry with a potential road map for protecting certain types of inventions.

A patent lawsuit in Colorado over liquid CBD formulations is being closely watched as a test case for patent enforcement in the cannabis industry.

Judge William Martinez in the District of Colorado ruled last week that the highly concentrated liquid formulations of CBD and THC in United Cannabis Corp.'s patent are not a naturally occurring phenomena that would be ineligible for patent protection.

The ruling allows the medical cannabis company to push ahead with an infringement suit against Pure Hemp Collective Inc., a rival maker of CBD products. More broadly, it signals that courts aren't looking at these types of inventions disapprovingly even though cannabis is illegal under federal law.

"The decision is important from the perspective that courts are treating inventions associated with the cannabis industry as they would any other invention," said Fox Rothschild LLP partner John Shaeffer. "They're not concerned that the product is illegal under federal law."

Despite the federal government's view of marijuana, most states allow cannabis or its derivatives in some form. And business has been booming. In Colorado alone, marijuana has become $1.5 billion dollar a year industry.

The interest in CBD products, in particular, has exploded in recent years. CBD is a nonintoxicating component of cannabis that has been touted as helping to treat chronic pain and other ailments. The U.S. Food and Drug Administration will hold a hearing next month on legalizing CBD in food and drinks.

Meanwhile, attorneys say there has been an IP land grab as companies look to stake their claim.

The lawsuit brought by United Cannabis is seen as an important test case for patent enforcement for an industry that has shied away from such litigation in the past. And it is playing out in Colorado, which could be a battleground for fights over cannabis inventions.

“This is an example of how you might go about enforcing those patents and what hallmarks do those patents have to bear to survive [an eligibility] challenge,” said Pauline Pelletier, a director at Sterne Kessler Goldstein & Fox PLLC.

United Cannabis’ patent covers liquid cannabinoid formulations where at least 95% of the cannabinoids are CBD, THC or a combination of the two. The company, which goes by UCANN, accused Pure Hemp in a July 2018 lawsuit of selling products with the same formulations.

The U.S. Supreme Court has long held that something that exists in nature is not eligible for patent protection. But Judge Martinez, in a ruling on April 17, said UCANN’s formulations require modifying solid cannabinoids into a liquid.

And even if it were “logically possible” that cannabinoids exist in nature in a liquid form, the judge said, the specific concentrations of CBD and THC required by UCANN’s patent would push the formulations outside the realm of a natural phenomenon.

“You can kind of use that as a road map for how you would have to claim a formulation such that it could survive this natural phenomenon test,” Pelletier said.

“Even if it is in a form that could theoretically exist in nature,” she said, “what about the specific concentrations that your claims require? Are those naturally occurring as well?”

The case is far from over. In the same ruling, Judge Martinez questioned whether the patent covers anything “novel, useful or nonobvious.” Pure Hemp has argued in court documents that highly concentrated CBD formulations were sold years before UCANN filed for its patent.

Pure Hemp also alleged in a court filing this month that UCANN plagiarized portions of its patent from earlier applications filed by GW Pharmaceuticals PLC. This sort of misconduct, Pure Hemp argues, should make the patent unenforceable.

UCANN has not yet filed a response to the allegations. But absent from Pure Hemp’s arguments is any suggestion that the case should be kicked from federal court because the patent protects an illicit product under federal law.

“This is going to be another patent case,” Duane Morris LLP partner Vincent Capuano said. “It’s interesting because its in this industry but I think the court is going to go through following the rules and applying the industry-independent patent law.”

He and other attorneys say the question of whether the invention would have been obvious will likely be a central issue in the case. Capuano said this is not unlike what one might expect to see in patent disputes involving traditional pharmaceuticals.

“I believe that cannabis is part of the pharmaceutical world and we are going to see patent estates and patent activity — patent filings, infringement cases and the like — occur in a way that’s not so different

from what we've seen in pharma," he said.

Marijuana's classification under federal law has created some issues for the cannabis industry, including a lack of access to federal banks. But the industry hasn't had trouble patenting its inventions.

According to one estimate, the U.S. Patent and Trademark Office issued just under 1,800 cannabis-related patents in the decade beginning in November 2008. These patents have covered a range of inventions, from toothpaste products to lozenges to methods for cultivating cannabis.

And the Patent Trial and Appeal Board, which is part of the USPTO and examines the validity of issued patents, has shown no qualms with reviewing cannabis patents. The board earlier this year upheld much of a GW Pharma patent on the use of cannabinoids to treat epilepsy.

"If I was advising someone in the cannabis industry and they think they have an invention that's protectable, go for a patent. Absolutely," Shaeffer said, adding that the Colorado ruling "provides some solace to them that they're not going to be challenged simply because of the industry they're in."

Others questioned what that challenge would even look like.

"The issue of abstention was not raised [in the UCANN case] or addressed sua sponte by the court, and the court appears intent to proceed with the case," said Michael Annis, a partner at Husch Blackwell LLP.

"And, to the extent that a federal court feels compelled to abstain from deciding infringement claims directed to a cannabis-related patent, we would question on what grounds it would base its decision not to respect the statutorily granted rights in a federally issued patent," he said.

--Editing by Rebecca Flanagan and Alyssa Miller.