

## **Federal Court in the District of Colorado Rules Liquid Cannabinoid Formulations Are Patent Eligible**

This alert discusses a recent court decision in the first cannabis patent litigation in United States federal district court (*United Cannabis Corp. (“UCANN”) v. Pure Hemp Collective, Inc.* (D. Colo. No: 1:18-cv-01922-NYW)). Pure Hemp filed a motion for partial summary judgment arguing that claims directed to specific liquid cannabinoid formulations were unpatentable under 35 U.S.C. §101. In its ruling, the court denied the motion, effectively ruling that claims directed toward liquid cannabinoid formulations are not directed to patent-ineligible subject matter. *United Cannabis Corp. v. Pure Hemp Collective Inc.*, Civil Action No. 18-cv-1922-WJM-NYW, 2019 U.S. Dist. LEXIS 66092, \*19 (D. Colo. Apr. 17, 2019).

### **Section 101 – Patent-Eligible Subject Matter Overview**

Under 35 U.S.C. §101, Congress allowed four categories of patent-eligible subject matter: (1) processes; (2) machines; (3) manufactures; and (4) compositions of matter. The U.S. Supreme Court has identified three categories of exceptions to these patent-eligible subject matters—also known as patent-ineligible subject matters: (1) laws or products of nature; (2) physical phenomena; and (3) abstract ideas.<sup>1</sup> Moreover, natural products—such as naturally-found chemicals, life forms, and substances—fall within the patent-ineligible subject matter of “products of nature.”<sup>2</sup>

### **Background of the Case**

UCANN alleged that Pure Hemp infringed U.S. Patent No. 9,730,911 (“the ’911 patent”), which claims specific liquid cannabinoid formulations (*e.g.*, specific percentage concentrations of tetrahydrocannabinolic acid (“THCa”), CBD, THC, cannabinolic acid (“CBDa”), and/or cannabiniol (“CBN”). Dependent claims include further limitations for various terpenes, flavanoids, and formulation types.

UCANN tested Pure Hemp’s liquid CBD product and found that it contained at least 95% CBD in its cannabinoid profile.<sup>3</sup> Claim 10 of the ’911 patent is directed to 95% CBD liquid formulations. In its Answer, Pure Hemp stated that CBD has been a known molecule since it was isolated in 1963, liquid CBD formulations have been available since at least 2011, and that the idea of formulating these concentrations of cannabinoids into liquids was not novel.<sup>4</sup> Further, Pure Hemp argued that the ’911 patent claimed unpatentable subject matter because CBD is a naturally-occurring compound.<sup>5</sup>

On November 29, 2018, Pure Hemp filed a motion for partial summary judgment based on 35 U.S.C. §101, arguing that cannabinoids (*e.g.*, THC, CBD, THCa, CBDa, CBN, etc.) are naturally-occurring and unpatentable. After the U.S. Patent Office issued its Revised Patent Subject Matter Eligibility Guidance (“Guidance”) stating that a patent claim is not “directed to” patent-ineligible subject matter if the subject matter

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<sup>1</sup> *Diamond v. Diebr*, 450 U.S. 175, 185 (1981).

<sup>2</sup> *See* 35 U.S.C. §101.

<sup>3</sup> *UCANN v. Pure Hemp* Complaint at 6.

<sup>4</sup> Pure Hemp’s Answer at 7-8.

<sup>5</sup> *Id.* at 9.

is integrated into a practical application,<sup>6</sup> UCANN argued that the cannabinoid profiles in its patent have practical medicinal applications. Pure Hemp responded that the Guidance’s “practical application” analysis is not authoritative. Pure Hemp argued that the Supreme Court and Federal Circuit’s “conventional, routine, well understood” analysis is authoritative and that an invention may be unpatentable if it is conventional, routine, and well understood. And, Pure Hemp argued that the ’911 patent claims are nevertheless unpatentable under the Guidance because “they merely limit a natural phenomenon to a particular technological environment.”<sup>7</sup> Therefore, according to Pure Hemp, the ’911 patent does not do enough to transform a natural product into something inventive.

## District Court’s Ruling on Patent Eligibility

On April 17, 2019, the district court issued an opinion denying Pure Hemp’s motion for partial summary judgment under §101.<sup>8</sup> The Court held the *Alice* two-part patentability test was applicable. It requires that the court: (1) determine whether the patent claims are directed to patent-ineligible subject matter; and, if so, (2) determine whether the patent claims provide additional elements that transform the nature of the claims into patent-eligible subject matter.<sup>9</sup> The Court also summarized recent Supreme Court and Federal Circuit decisions regarding patent-eligible subject matter.<sup>10</sup>

In its analysis, the Court noted that “the proper application of the Supreme Court’s *Alice* standard is an evolving and sometimes hazy area of law.”<sup>11</sup> Nonetheless, the Court decided that the ’911 patent claims were not directed to patent-ineligible subject matter.<sup>12</sup>

According to the Court, UCANN was proffering two main counterarguments: (1) the liquid formulation itself is patent-eligible; and (2) the physiological effects of the liquid are patent-eligible.<sup>13</sup> The Court reasoned that the UCANN’s first argument was sufficient—a liquid formulation of certain cannabinoid concentrations is not a naturally-occurring phenomenon.<sup>14</sup> And even if there are some liquid cannabinoids found in nature, the specific threshold concentrations claimed in the ’911 patent are not.<sup>15</sup>

Thus, the Court held that the ’911 patent claims are directed to a “non-naturally occurring delivery method of naturally occurring chemicals in . . . non-naturally occurring proportions and concentrations.”<sup>16</sup> And because the ’911 patent claims were not directed to patent-ineligible subject matter, there was no need of for the Court to analyze *Alice* step two.<sup>17</sup> According to the Court, UCANN did not obtain a monopoly on the naturally-occurring cannabinoid compounds themselves—they narrowly claimed specific concentrations of cannabinoids in a liquid formulation, a non-naturally occurring phenomenon.<sup>18</sup>

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<sup>6</sup> <https://www.govinfo.gov/content/pkg/FR-2019-01-07/pdf/2018-28282.pdf>

<sup>7</sup> Pure Hemp’s Response to UCANN’s Briefing on Supplemental Authority at 5.

<sup>8</sup> *United Cannabis Corp. v. Pure Hemp Collective Inc.*, Civil Action No. 18-cv-1922-WJM-NYW, 2019 U.S. Dist. LEXIS 66092, \*19 (D. Colo. Apr. 17, 2019).

<sup>9</sup> *Id.* at \*5-6 (citing *Alice Corp. Pty. v. CLS Bank Int’l*, 573 U.S. 208, 217-18 (2014)).

<sup>10</sup> *Id.* at \*7-13.

<sup>11</sup> *Id.* at \*12.

<sup>12</sup> *Id.* at \*13.

<sup>13</sup> *Id.* at \*16.

<sup>14</sup> *Id.*

<sup>15</sup> *Id.* at \*17.

<sup>16</sup> *Id.*

<sup>17</sup> *Id.*

<sup>18</sup> *Id.* at \*15.

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