CANNABIS:
CURRENT REGULATORY CONSIDERATIONS

Presented by
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HEMP

- Grown for seed, fiber, stalk and flower
  - Seed: protein and other food and cosmetic uses
  - Fiber and stalk: biofuel, paper concrete, animal bedding, industrial applications
  - Flower: cannabinoids/extracts for consumer products
- U.S.: Grown with less than 0.3% THC to prevent psychoactive effects
- Canada: fiber and seed only

MARIJUANA

- Primarily grown for flower: cannabinoids/extracts for consumer products
- U.S.: Grown with **more than 0.3% THC**, often with intent to produce psychoactive effect
- Canada: flower, cannabinoids, extracts and concentrates (everything except for “hemp” fiber and seed)
CHANNELS OF OPPORTUNITY

NUTRACEUTICALS and NUTRITIONALS - HEMP
(Foods, supplements, topicals)

CANNABIS BASED MEDICINE
Epidiolex and other FDA-approved drugs

OTC MARIJUANA
(Dispensaries, Adult Use, “Medical”)
1. “Marihuana” (Marijuana): Schedule I controlled substance – federally illegal
   1. High potential for abuse; no currently accepted medical use; lack of accepted safety use
   2. Lawful under certain states law
2. Hemp: agricultural commodity – federally lawful
   1. 2014 and 2018 Farm Bills
   2. CBD products
LEGAL STATUS OF CANNABIS: CANADA

1. Cannabis: federally *lawful*
   1. Medical: Initially authorized in 2001; commercialized in 2013
   2. Recreational:
      1. Purchase of some forms of cannabis, as of Oct. 2018;
      2. Additional types – cannabis edibles and concentrates legalized, as of Oct. 2019

2. Hemp: federally *lawful*
   1. Hemp fiber and seed: treated as normal commodity
   2. Hemp-derived cannabinoids: treated as cannabis, once processed
U.S. MARIJUANA LEGALITY

- Adult use / recreational: 11 states
- Medical: 33 states
- Additional states expected in November 2020 election
- Marijuana expected to be campaign issue as part of 2020 presidential election

*Image credit: Business Insider*
U.S. HEMP LEGALITY

- 2019: 45 states with hemp legislation
- USDA hemp regulation: Oct. 2019
- Still awaiting FDA regulation
- More state legislation pending in early 2020

Image credit: Vote Hemp
1. “Marihuana” first defined in Marihuana Tax Act of 1937

1. Marijuana: the psychoactive portions of cannabis, primarily from the flowering parts of the plant and its resins

2. Hemp: the nonpsychoactive portions of the cannabis plant: stalk, stem, fiber, hurd, non-viable seed

2. Controlled Substances Act established in 1970 → beginning of “War on Drugs”

3. Classified controlled substances into five classes: Schedules I – V (from most restricted to least restricted)
1. 1996: California enacts Prop. 215, enabling access to medical marijuana for certain conditions
   1. 2003: Senate Bill 420 amended program to include medical patient cards
2. 1998: State-level initiatives commence in several west coast states (OR, NV, WA, AK)
3. 2012: CO and WA enact recreational / adult-use marijuana laws
4. Today: 33 states – medical; 11 states recreational / adult-use
United States: Federal Marijuana Protections

1. Rohrabacher – Blumenauer Amendment: legislation precluding federal government from spending Congressional funds to interfere with state-lawful medical marijuana activities
   1. Does not yet protect recreational / adult-use marijuana
2. Cole Memo
   1. Memo to U.S. attorneys under Obama administration concerning enforcement discretion towards state-lawful marijuana activities
   2. Rescinded by AG Sessions in Jan. 2018 under Trump administration; placed with general discretionary standard
   3. No real change in enforcement \( \rightarrow \) silence by current AG Barr
3. SAFE Banking Act: to provide confirmation of banks’ ability to service marijuana industry
   1. Pending before Congress since 2019 \( \rightarrow \) somewhat pessimistic, given length of time pending
UNITED STATES: 
HEMP REGULATORY EVOLUTION

1. 2014: Farm Bill authorizes state-level pilot programs concerning hemp productions
   1. Vague and ambiguous – minimal guidance offered at federal level, with deference to states to establish programs
   2. Some purely research programs; others more commercialized programs
   3. Led to today’s CBD craze
2. 2018: Farm Bill affirms legality of hemp and expounds upon federal regulation and specifically authorizes commercial production of hemp
   1. USDA regulations: Oct. 2019; FDA regulations: still pending
UNITED STATES: PREDICTING THE FUTURE

1. More states will legalize marijuana in 2020
   1. New Jersey; New York; New Mexico; Vermont; Arizona; Florida; and more?
2. Marijuana to be presidential campaign issue in 2020 campaign
   1. Trump – wishy-washy to date; Sanders – executive order on “Day One”
3. Greater federal and state regulation around hemp in 2020
1. 2001: Medical cannabis legalized by Health Canada
2. 2014: established commercialized licensed producer (LP) system for medical cannabis
   1. Initially, interpreted to narrowly apply to dried forms of cannabis
   2. 2015: expanded by Supreme Court of Canada to include other types of cannabis → oils, cookies, and more
   3. 2016: clarified to allow for personal production licenses
3. 2018: recreational / adult-use cannabis legalized
4. Medical cannabis commercialized in
1. 2014: established commercialized licensed producer (LP) system for medical cannabis
   1. Initially, interpreted to narrowly apply to dried forms of cannabis
   2. 2015: expanded by Supreme Court of Canada to include other types of cannabis → oils, cookies, and more
   3. 2016: clarified to allow for personal production licenses
2. 2018: recreational / adult-use cannabis legalized
   1. Oct. 2019: Authorized additional product types – edibles, beverages, extracts and vapes
   3. Progressive stance incentivized public markets in Canada to provide most of cannabis financing for several years; capital now waning
1. Longtime proponent of non-viable hempseeds and fibers
   1. Hulled hemp hearts (i.e. Manitoba Harvest) on shelves across retail outlets
   2. Strong stable of related genetics
2. No authorization until 2018 to produce cannabinoids
   1. Oct. 2018: authorized cultivating hemp for cannabinoids → BUT, those cannabinoids must be channeled into marijuana regulatory system
1. **Cannabis 2.0:** continued evolution based on authorization of edibles, beverages, extracts and vapes

2. **Increase in number of brick-and-mortar stores**
   1. Approx. 500 stores to date (300 in Alberta)

3. Health Canada will provide regulatory pathway for hemp-derived products later in 2020 or in 2021

4. Continued departure of financing capital and public markets
HEALTH AND SAFETY

- World Health Organization: CBD contain a “good safety profile;”
- *But,* U.S. federal/international laws have stifled sensible research into cannabis-derived compounds
- Need for federal guidance to encourage additional clinical and other research by universities and other conventional research resources
- Need to sensibly distinguish drug development from other existing, conventional and more accessible product types
TYPICAL REGULATIONS
U.S. AND CANADA

- Consumer health protection
  - Packaging and labeling
  - Marketing and advertising
  - Access restrictions: age, patient card (based on medical conditions) and/or personal production
- Production facility controls
  - GMP or equivalent
- RFID tracking: seed-to-sale
  - Control of point of sale; delivery options?
- Sales and excise taxation
- Social equity opportunities
- Restriction on products
  - Types
  - Serving sizes
  - Personal possession limits
- Encourage education
TAKEAWAYS

UNITED STATES

• “Marihuana”: federally illegal
  • Medical (11 states); rec (33 states)
  • Enforcement discretion by federal government
  • Hemp: federally lawful

CANADA

• Cannabis: federally lawful
  • Limitations on product types allowed
  • Hemp federally lawful
Thank you!

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