
ENGROSSED SUBSTITUTE HOUSE BILL 1794

State of Washington

66th Legislature

2019 Regular Session

By House Commerce & Gaming (originally sponsored by Representatives Stanford, MacEwen, Blake, Vick, Kirby, Young, Reeves, and Appleton)

READ FIRST TIME 02/18/19.

1 AN ACT Relating to agreements between licensed marijuana
2 businesses and other people and businesses, including royalty and
3 licensing agreements relating to the use of intellectual property;
4 and amending RCW 69.50.395.

5 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

6 **Sec. 1.** RCW 69.50.395 and 2017 c 317 s 16 are each amended to
7 read as follows:

8 (1) A licensed marijuana business may enter into (~~a licensing~~
9 ~~agreement, or consulting contract, with any individual, partnership,~~
10 ~~employee cooperative, association, nonprofit corporation, or~~
11 ~~corporation,)~~) an agreement with any person, business, or other
12 entity for:

13 (a) Any goods or services that are registered as a trademark
14 under federal law (~~(~~or~~)~~), under chapter 19.77 RCW, or under any other
15 state or international trademark law;

16 (b) Any unregistered trademark, trade name, or trade dress; or

17 (c) Any trade secret, technology, or proprietary information used
18 to manufacture a cannabis product or used to provide a service
19 related to (~~(a)~~) any marijuana business.

1 (2) (~~All~~) Any agreements (~~or contracts~~) entered into by a
2 licensed marijuana business, as authorized under this section, must
3 be disclosed to the state liquor and cannabis board and may include:

4 (a) A royalty fee or flat rate calculated based on sales of each
5 product that includes the intellectual property or was manufactured
6 or sold using the licensed intellectual property or service, provided
7 that the royalty fee is no greater than an amount equivalent to ten
8 percent of the licensed marijuana business's gross sales derived from
9 the sale of such product;

10 (b) A flat rate or lump sum calculated based on time or
11 milestones;

12 (c) Terms giving either party exclusivity or qualified
13 exclusivity as it relates to use of the intellectual property;

14 (d) Quality control standards as necessary to protect the
15 integrity of the intellectual property;

16 (e) Enforcement obligations to be undertaken by the licensed
17 marijuana business;

18 (f) Covenants to use the licensed intellectual property; and

19 (g) Assignment of licensor improvements of the intellectual
20 property.

21 (3) A person, business, or entity that enters into an agreement
22 with a licensed marijuana business, where both parties to the
23 agreement are in compliance with the terms of this section, is exempt
24 from the requirement to qualify for a marijuana business license for
25 purposes of the agreements authorized by subsection (1) of this
26 section.

27 (4) All agreements entered into by a licensed marijuana business,
28 as authorized by this section, are subject to the liquor and cannabis
29 board's recordkeeping requirements as established by rule.

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