
Consumer Protection & Business Committee

ESSB 5403

Brief Description: Limiting financial interest agreements for licensed cannabis retailers.

Sponsors: Senate Committee on Labor & Commerce (originally sponsored by Senators Saldaña, Krishnadasan and Nobles).

Brief Summary of Engrossed Substitute Bill

- Prohibits a cannabis retail licensee from entering into certain agreements that confer a financial interest across more than five cannabis retail licenses.
- Defines financial interest to include negotiating or coordinating purchases of products, any operational control over the business, or sharing profits, revenue, marketing costs, or employment decisions.

Hearing Date: 3/26/25

Staff: Peter Clodfelter (786-7127).

Background:

Five License Limit for Cannabis Retailers.

An individual cannabis retail licensee and all other persons or entities with a financial or other ownership interest in the business operating under the license are limited, in the aggregate, to holding a collective total of not more than five cannabis retail licenses.

Authorized Agreements.

A licensed cannabis business may enter into an agreement with any person, business, or other

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not part of the legislation nor does it constitute a statement of legislative intent.

entity for:

- any goods or services that are registered as a trademark under federal law, Washington law, or international trademark law;
- any unregistered trademark, trade name, or trade dress; or
- any trade secret, technology, or proprietary information used to manufacture a cannabis product or used to provide a service related to any cannabis business.

Any of these types of agreements entered into by a licensed cannabis business must be disclosed to the Liquor and Cannabis Board and may include:

- a royalty fee or flat rate calculated based on the sales of each product that includes the intellectual property or was manufactured or sold using the licensed intellectual property or service, provided that the royalty fee is no greater than 10 percent of the licensed cannabis business's gross sales derived from the sale of the product;
- a flat rate or lump sum calculated based on time or milestones;
- terms giving either party exclusivity or qualified exclusivity as it relates to use of the intellectual property;
- quality control standards as necessary to protect the integrity of the intellectual property;
- enforcement obligations to be undertaken by the licensed cannabis business;
- covenants to use the licensed intellectual property; and
- assignment of licensor improvements of the intellectual property.

A person, business, or entity that enters into an agreement with a licensed cannabis business, where both parties to the agreement are in compliance with the terms of these requirements, is exempt from the requirement to qualify for a cannabis license for purposes of the agreements.

Summary of Bill:

A cannabis retail licensee and all other persons or entities with a financial or other ownership interest may not enter into any agreement otherwise authorized relating to trademarks, trade names, trade dress, trade secrets, technology, or proprietary information that confers a financial interest across more than five cannabis retail licenses.

For the purposes of this prohibition, financial interest includes, but is not limited to, negotiating or coordinating purchases of cannabis products, any operational control over the business, sharing profits or revenue, sharing marketing and advertising costs, or sharing employment and hiring decisions.

Appropriation: None.

Fiscal Note: Available.

Effective Date: The bill takes effect on January 1, 2026.