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## Commerce & Gaming Committee

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### HB 2335

**Brief Description:** Concerning business practices by marijuana retailers that may mislead the public as to the ownership of a retailer.

**Sponsors:** Representatives Sawyer and Condotta.

#### Brief Summary of Bill

- Prohibits marijuana retailers from advertising or representing themselves to the public in a manner that would cause a reasonable person to believe the marijuana retailer is under common ownership with, or otherwise affiliated with, another marijuana retailer or retailers, unless all the marijuana retailers are under common ownership.
- Defines "common ownership" as having at least one person with an ownership interest in all of the marijuana retailers in the advertisement or commercial representation.
- Specifies examples of advertising methods and business practices to which the new prohibition does not apply.
- Authorizes the Liquor and Cannabis Board to adopt rules establishing civil penalties for a violation or violations of the prohibition, and rules regarding the specific types of advertising methods and business practices prohibited.

**Hearing Date:** 1/8/18

**Staff:** Peter Clodfelter (786-7127).

#### **Background:**

The marijuana retailer license is one of the commercial marijuana licenses issued by the Liquor and Cannabis Board (LCB). A marijuana retailer license authorizes the sale of marijuana products at retail from a retail outlet. A separate license is required for each retail outlet location.

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The maximum number of marijuana retailer licenses available within each county is limited, based on considerations including population distribution, security and safety issues, the provision of adequate access to licensed sources of marijuana products to discourage purchases from the illegal market, and the number of retail outlets holding medical marijuana endorsements necessary to meet the medical needs of qualifying patients.

An individual marijuana retailer 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 retail marijuana licenses.

Advertising practices by marijuana retailers and other commercial marijuana licensees are regulated and restricted in various ways. Advertising restrictions and prohibitions include, among others, the following:

- Restrictions on the places in which marijuana advertisements may be placed or maintained;
- Restrictions on the use of billboards and the size and amount of signage outside a retail outlet;
- Prohibitions on targeting youth in advertisements, on using objects such as toys or inflatables, and on using a commercial mascot, including a human being, animal, or mechanical device, to attract attention of motorists and passersby; and
- A prohibition on specifically targeting advertisements to persons residing outside of Washington.

The LCB has rule-making authority to implement the advertising restrictions and prohibitions. The rules must establish escalating penalties including fines and up to suspension or revocation of a marijuana license for subsequent violations.

### **Summary of Bill:**

Licensed marijuana retailers are prohibited from advertising or representing themselves to the public in a manner that would cause a reasonable person to believe the marijuana retailer is under common ownership with, or otherwise affiliated with, another marijuana retailer or retailers, unless all the marijuana retailers are under common ownership. "Common ownership" is defined as having at least one person with an ownership interest in all of the marijuana retailers in the advertisement or commercial representation.

It is specified that the new prohibition does not prohibit multiple marijuana retailers with different business or trade names and different owners from acting as a group for the purpose of making group purchases of marijuana products from a marijuana processor. It is further specified that the new prohibition does not prohibit a marijuana retailer from advertising or representing to the public the retailer's membership in a trade association.

The Liquor and Cannabis Board may adopt rules establishing the specific types of advertising methods and business practices considered to cause a reasonable person to believe the marijuana retailer is under common ownership with, or otherwise affiliated with, another marijuana retailer or retailers, as well as civil penalties for a violation or violations of the prohibition.

**Appropriation:** None.

**Fiscal Note:** Available.

**Effective Date:** The bill takes effect 90 days after adjournment of the session in which the bill is passed.