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**ENGROSSED SUBSTITUTE HOUSE BILL 1794**

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**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)

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

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

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

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

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

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

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

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

(a) A royalty fee or flat rate calculated based on 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 an amount equivalent to ten percent of the licensed marijuana business's gross sales derived from the sale of such product;

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

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

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

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

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

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

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

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

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