

CERTIFICATION OF ENROLLMENT
ENGROSSED SUBSTITUTE HOUSE BILL 1794

66th Legislature
2019 Regular Session

Passed by the House March 7, 2019
Yeas 86 Nays 11

Speaker of the House of Representatives

Passed by the Senate April 13, 2019
Yeas 39 Nays 6

President of the Senate

Approved

Governor of the State of Washington

CERTIFICATE

I, Bernard Dean, Chief Clerk of the House of Representatives of the State of Washington, do hereby certify that the attached is **ENGROSSED SUBSTITUTE HOUSE BILL 1794** as passed by House of Representatives and the Senate on the dates hereon set forth.

Chief Clerk

FILED

**Secretary of State
State of Washington**

ENGROSSED SUBSTITUTE HOUSE BILL 1794

Passed Legislature - 2019 Regular Session

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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