

## Big Law Meets Big Weed: Diminishing Risks Amid a Green Rush

Seattle lawyer Christopher Barry knows a gold rush when he sees one, having witnessed the microcomputer, biotechnology and Internet revolutions and the wealth they generated. In legal weed, he's seeing the same.

"There is a marijuana gold rush," said Barry, 71, who helps oversee Dorsey & Whitney LLC's cannabis practice that's grown to more than 20 lawyers. Initial public offering, merger and acquisitions, regulatory and real estate opportunities are growing for big law firms, as the cannabis industry lures investors and entrepreneurs needing legal advice and know-how.

With pot laws liberalizing across the U.S. and billions of dollars being wagered on industry expansion, some big law firms have shed their reluctance to participate in a business that remains outlawed at the federal level. "Quite a few law firms that had declined to participate are rethinking their positions," Barry said. "They've seen the industry evolve and they believe the federal illegality isn't as big a risk as they had thought."

Before Colorado and Washington legalized recreational marijuana in 2012, cannabis practices tended toward small- to mid-sized practices like Vicente Sederberg in Denver, which has since grown to have a national footprint.

No longer. Deals like Altria's \$1.8 billion purchase of a 45% stake in Canada's Cronos Group, announced Dec. 7, or Constellation Group's \$4 billion investment in Canopy Growth Corp. in November couldn't have been done without big law firms. The Altria deal came together with firms including Wachtell, Lipton, Rosen & Katz and Sullivan & Cromwell.

In a sign of cannabis going mainstream, Altria, the maker of Marlboro cigarettes, [said when the deal closed](#) it believes cannabis "is poised for rapid growth over the next decade." The legal industry will join in that growth as demand rises for not just specialized knowledge of cannabis law, but for services law firms traditionally offer: advice on mergers and acquisitions, real estate, financing, regulations.

"The industry is now growing at warp speed," said Seth Goldberg, head of Duane Morris' Cannabis Interdisciplinary Group in Philadelphia. "Over the next five years there's going to be a lot of work for lawyers."

Goldberg compares marijuana's commercial and legal evolution — moving from an illegal trade to regulated and taxed legal entity — to the repeal of prohibition in 1933. Alcohol has had a long and profitable run since prohibition ended, and legal firms have participated in a variety of ways, including mergers and acquisitions, finance and regulations, he said.

In the U.S., the cannabis industry is expected to generate \$11 billion in sales this year, Bloomberg BNA [wrote in August](#). That total may hit \$75 billion by 2030 some analysts say. By

comparison, the [U.S. drank \\$111.4 billion in beer](#), the Brewers Association says, and tipped [\\$26.2 billion](#) in distilled spirits in 2017, according to the Distilled Spirits Council.

And other companies are interested in how cannabis might fit into their portfolio of products. “There are a lot of very significant businesses that are exploring what they ought to be doing,” Barry said. “Big businesses whose products you consume, whose services you use, are looking to see how far they can go and what they can do and how to prepare themselves.”

In Canada, where recreational cannabis use [was legalized in October](#) by the federal government, sales are expected to reach C\$4.34 billion, Deloitte said in its [2018 Cannabis Report](#).

Hanging over the industry since states began reforming laws in the late 1990s is the federal Controlled Substances Act of 1970 that banned marijuana. That law classified marijuana as a Schedule 1 drug, along with heroin and LSD, according to the U.S. Drug Enforcement Agency. This has raised prosecution and reputational-risk concerns for lawyers and investors. It has also complicated electronic banking and financing, so that many transactions are done with cash.

Efforts to repeal the pot ban are ongoing in Washington D.C. A bipartisan bill was introduced this year in the U.S. Senate, and President Donald [Trump has said](#) he is committed to reforming marijuana laws.

State reform of drug laws has helped chip away at investor’s and law firms’ reluctance to participate in the pot industry. Keeping up with reform gets complicated: the [U.S. legal weed map](#) is a patchwork of states where the drug is either legal, decriminalized, medical use is permitted, a mix, or banned outright.

Currently, at least a half-dozen states are on the verge of joining the 10 where adults can use cannabis legally, while the number of states with total bans has dropped to 15.

New Jersey is one of the states allowing legal medical marijuana use and has a recreational use bill headed to state legislators for a vote. Cole Schotz, a 140-lawyer firm in Hackensack, NJ, has 8-to-9 attorneys working on everything from securities issues and loans to calming the anxieties of local politicians.

Clients are coming to the state looking for places to grow, process and sell marijuana and local governments can be skittish about the prospects of cannabis business setting up in town. Cole Schotz’s Rob DiPisa says part of his job is to “matchmake” entrepreneurs with interested municipalities.

“An issue we have to address is does the particular town welcome cannabis,” he said. “I was in a rural, southern New Jersey town, speaking with a mayor and he told me he’d welcome our facility, and said he’d be praying it works out.”

Opportunities for law firms will also be boosted when the next farm bill is approved, which would legalize hemp, marijuana's non-intoxicating cousin before the end of 2018. The big bonus in that effort would be the proliferation of cannabidiol, or CBD, whose market is projected to rise to \$22 billion in the next few years. Barry says half of the phone calls he gets are CBD inquiries.

Chris Davis, executive director of the National Cannabis Bar Association, sees no slowdown in work coming to law firms from cannabis. The volume of work from people arrested for drug possession in states where weed is illegal will be offset by the legal trade. His group has grown from about 200 attorneys to 575 in less than two years, he said.

"We've seen in states where adult use passes, cannabis is major economic driver. The cannabis industry is booming and there's room for additional entrants in the legal industry," Davis said. "Once risk of prosecution falls away, you'll see a huge jump of money flowing in."