Federal Court Sends Ominous Signal on Cannabis Contracts

A federal judge recently sent an ominous signal regarding the enforceability of cannabis contracts by issuing an order telling the parties have to show why the court should not dismiss the case, writes Samuel D. Méndez in Lane Powell's **Cannabis Law Advisor**.

"The Order to Show Cause states that the contract at issue may be unenforceable under the federal Controlled Substances Act ("CSA") because it concerns cannabis businesses, and cannabis remains an illegal substance under the CSA," according to Méndez.

The judge wrote in the order that, although state law governs the breach of contract claim, where it is alleged that an agreement violates a federal statute, courts look to federal law.

Méndez offers some advice on drafting contracts that include a covenant that the parties agree not to raise the argument of enforceability in litigation.

Read the article.