IP Litigation in the Cannabis Industry: A Review of the Limited Authority in Canada Thus Far

September 26, 2018
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As the day draws near to the legalization of recreational cannabis in Canada, so too does the birth of a new and significant industry. Arguably, Canada has been headed in this direction for close to 20 years. Some would point to the 2000 decision of R v Parker[1]—in which the Ontario Court of Appeal declared the marijuana prohibition in the Controlled Drugs and Substances Act to be invalid—as the first in a long line of dominos to fall in the path to legalization.

Whereas to date the majority of cannabis related case law has been in the area of criminal law, once the competitive market officially opens, participants should expect that disputes will arise for adjudication in the civil context. Intellectual property rights will play an important role in shaping the competitive landscape as the industry matures and competitors seek to establish their places in the market.

Litigation is inevitable.

Indeed, United Cannabis Corporation recently launched the first “cannabis” patent infringement action against Pure Hemp Collective Inc in the US,[2] relating to a patent for liquid formulations of highly enriched extracts of plant cannabinoids. The case was commenced in the US District Court for the District of Colorado on July 30, 2018, and is sure to be closely followed as it progresses. Canada however, has already seen a handful of cannabis related intellectual property disputes decided by the courts and quasi-judicial bodies. In this paper, we discuss the small number of reported decisions to date and draw some inferences as to what future litigation may hold for the industry.

Patent Infringement

Patents represent a potentially fertile area for cannabis related litigation. Although plants themselves are not patentable[3], many other related technologies are. As reported here,[4] patent protection is available for genetically modified cannabis plant cells as well as novel isolated genes that produce cannabis active agents. Patents are also available for: 1) novel or modified active ingredients extracted from the cannabis plant or chemically synthesized; 2) novel formulations comprising cannabis active agents such as patches and gels or new combinations of ingredients; 3) new uses of the cannabis or cannabis extracts for example new indications that were not previously treated with cannabis products; 4) new methods of extracting cannabis active ingredients from the plants; and 5) new devices for delivery of the cannabis products, such as vaporisers and patches. [5]

So far, litigation in the area has been scarce with only one reported decision from proceedings commenced in 2008: Delp v Fresh Headies Internet Sales Ltd.[6] Fresh Headies involved a patent for a method and apparatus for extracting resins from plants. The plaintiff sued for infringement, and following examinations for discovery faced a motion for summary judgment. The defendant moved on the basis that the claims included apparatus that would not work and therefore lacked the required utility for a patent. The Court disagreed and dismissed the motion. The proceeding was ultimately settled and discontinued in 2014.

If Fresh Headies is any indication, litigation involving cannabis related patents should be expected to proceed like cases involving any other technology. One nuance that cannabis patents may present, however, could relate to the availability of prior art that defendants are able to locate to challenge validity. Given the illicit status of cannabis historically, its development and that of related technologies has been largely underground. As a result, the usual sources for prior art, such as patent databases and literature periodicals, may prove less useful than in other areas of technology where advances in the art are routinely publicized. Companies holding patents with broad coverage over seminal cannabis technologies may well find themselves in a position to monopolize important aspects of the market, while facing weaker challenges to the validity of their patent rights than litigants in other industries.

Trademark Litigation

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Trademark rights are so far the most litigated intellectual property rights related to cannabis in Canada. This is noteworthy because, as discussed here[7] many cannabis companies have filed trademark applications for words and symbols that may now be contrary to the Cannabis Act’s branding rules. However, as also previously discussed, the Canadian Intellectual Property Office is not examining trademark applications for compliance with the Cannabis Act.[8] The issue is certain to provoke further litigation and to subject applications to challenge in opposition proceedings. The trademarks considered in the cases in Canada to date were not subject to the limitations imposed by the Cannabis Act. It remains an open question as to how trademarks implicated by the branding rules will be handled in future litigation.

The earliest reported decision, from 2002, may provide some insight. In Cadbury Confectionery Canada Inc v Valliant-Saunders[9] the Trademarks Opposition Board had before it an opposition to an application for CANNABIS CRUNCH. Apart from grounds of confusion with the opponent’s CRISPY CRUNCH trademark, the opponent also argued the application was non-compliant with section 30(i) of the Trademarks Act. The application covered wares including “chocolate bars comprising mainly of cannabis seeds”. The opponent alleged that the applicant could not be satisfied he was entitled to use the mark in Canada because doing so would be illegal.

The Board disagreed. The opponent had conceded legislation indicating that the sale and use of non-viable cannabis seeds is legal in Canada, and allowing those with THC content of less than 10 ppm to be used in food products. The Board therefore found the applicant could make legal use of certain types of cannabis seeds in its proposed chocolate bar and rejected the ground of opposition.

The cannabis opposition proceedings since Cadbury have not addressed the illegality issue under section 30(i), or otherwise considered the illicit nature of the related wares in the applications in issue. The fact that the subject matter of the applications in issue related to cannabis had little if any effect on the arguments made or the judgments rendered.

In Avalon Sunsplash Ltd v Friendly Stranger Corp.[10] an appeal to the Federal Court, the issue was whether the disputed applications lacked distinctiveness in view of the applicant’s use of the CANNABIS CULTURE trademark. Allowing the appeal in part, the Court held the FRIENDLY STRANGER CANNABIS CULTURE SHOP trademark was sufficiently distinctive, and upheld the Board’s rejection of the CANNABIS CULTURE application in view of the opponent’s identical mark.

Remo Cannabrands Inc v Advanced Nutrients Ltd[11] involved an opposition to the URBAN GROWER trademark in association with instructional videos. The opponent alleged it owned the mark and conceived of it for use with a video series to assist people with growing marijuana. The Board agreed, finding the applicant was not entitled to use mark, had been licensed and its use of the mark enured to the opponent.

Most recently, in Kesselman and International Herbs Medical Marijuana Ltd, Re[12] the Board dismissed objections to the ZENABIS trademark for goods and services related to marijuana. The Board held the opponent’s use of its ZEN trademark since 2000 in association with cigarette papers and tobacco smoking accessories was insufficient to reject the application on the basis of confusion and lack of distinctiveness.

Outside of opposition proceedings, there is one reported trademark infringement case: Trans-High Corp v Hightimes Smokeshop and Gifts Inc.[13] Relying on the Federal Court of Appeal’s decision in BBM Canada v Research in Motion Ltd.,[14] the applicant proceeded by way of application—instead of action—seeking damages for trademark infringement, passing off and depreciation of goodwill. The applicant was the owner of the HIGH TIMES trademark for magazines and related merchandise, which it sold in retail stores in Canada and on its website. The respondent operated a retail store in Niagara Falls offering cannabis paraphernalia under the name “Hightimes Smokeshop and Gifts Inc.” using a font similar to that used by the applicant’s magazines.

Applying the “casual consumer somewhat in a hurry” test and section 6(5) of the Trademarks Act, the Court held that there was a likelihood of confusion between the applicant’s use of the HIGH TIMES mark for its magazines and related wares and the respondent’s use of the mark on its storefront. It also found the respondent had caused damage to the applicant’s reputation and business, but held the evidence was insufficient to establish depreciation of goodwill. The Court awarded damages and costs in amounts of $25,000 and $30,000, respectively.

CIRA Domain Name Disputes

The Canadian Internet Registration Authority has so far adjudicated two separate domain name disputes involving cannabis providers. Unlike the post-Cadbury trademark opposition proceedings, illegality of the cannabis related subject matter played a role in both cases.

In the first, Prairie Plant Systems Inc v Lawson[15] the complainant sought to have the Cana-Med.ca domain name transferred to it on the basis the name was confusingly similar to its CANNIMED trademark. The complainant registered the mark in 2004 and had since used it in the licenced supply of medical marijuana. The registrant was an unlicensed supplier and registered the disputed domain name 2010. Applying the applicable “first impression and imperfect recollection” test under the CIRA Dispute Resolution Policy, the Authority found the
disputed domain name and CANNIMED trademark were confusingly similar. In finding the registrant had no legitimate interest in the domain name, *inter alia*, the Authority referred to the fact that the registrant was selling medical marijuana without the required licence. The Authority ordered that the registration for the domain name be transferred to the complainant.

Earlier this year, the illegal nature of the registrant’s activities played more heavily in CIRA’s analysis in *Delta9 Bio-Tech and Delta Nine, Re.*[16] The registrant operated an illegal marijuana dispensary under the name Delta Nine and registered the deltanine.ca dispute domain name in 2016. The complainant, who had registered its delta9.ca domain name in 2012 and had unregistered rights in three DELTA 9 trademarks dating to 2013 and pending trademark applications, sought to have the registration for the disputed domain name transferred to it.

The Authority found the disputed domain name confusingly similar with the DELTA 9 marks. The illegality of the registrant’s business was an important factor in the Authority’s consideration of both whether the applicant had a legitimate interest in the registration and whether it had acted in bad faith. In respect of the former, the Authority held: “It is illegal and unprincipled in every respect and cannot possibly justify the registration of the domain name.”[17] For the latter:

…the intention of the Registrant was to register the domain name because it reflected the Complainant’s established trademark in the medical cannabis business and to use it for an illegal purpose to further its own interests and for a purpose that would benefit the Registrant financially by taking away some of the Complainant’s potential business. That conduct constitutes bad faith registration on any test. [18]

Post legalization, the availability of arguments based on illegality will surely be muted to some extent depending on the regimes implemented in the provinces for the sale of cannabis. Still, on the basis of this authority, the legality of a registrant’s operations should remain an important factor in the consideration of the legitimacy of its interest in a disputed domain name and whether its registration was made in bad faith.

**Plant Breeders’ Rights and Trade Secrets**

So far there are no reported decisions related to these intellectual property rights in cannabis or related products. Both areas, however, represent valuable tools in the field and it should be expected that disputes will arise. As discussed here[19] novel cannabis varieties may be protected under the *Plant Breeders’ Rights Act*, giving a cannabis breeder exclusive rights to the propagating material of their variety for a period of 20 years. A trade secret is, in essence, valuable information to a business that the business keeps and maintains as secret, and are of infinite duration so long as the secret is kept. The most famous is probably the Coke formula, which has been maintained as a trade secret for more than 100 years. Traditionally, plant breeders’ rights are rarely asserted in litigation. On the other hand, trade secrets cases arise routinely and often in the context of departing employees. Given the pace of growth in the cannabis industry, companies would be well advised to consider their procedures for maintaining these assets as employees inevitably continue to move around. Also, given the protection afforded by plant breeders’ rights and the potential commercial value of a popular strain, we could well see cannabis driving an increase in related litigation.

**Looking Ahead**

What can be drawn from the small sample of cases so far?

One observation is that intellectual property disputes related to the emerging cannabis industry will be adjudicated much like those in other industries. While limitations on packaging and the legality of some activities may be uncertain today, overall, future cases ought to be decided for the most part based on established legal principles. These principles will help to ensure that as the industry matures the value of IP rights will grow in the hands of companies investing in the innovation of new technologies and in strengthening their brands. Industry players will benefit who pursue a strategy of protecting and enforcing their rights and also of being mindful of rights held by their competitors.

[1] (2000), 49 OR (3d) 481 (ON CA)

[2] Case 1:18-cv-01922, filed 07/30/18 (USDC Colorado)
[3] As discussed below, they may, however, be proper subject matter for protection under the Plant Breeders’ Rights Act.


[6] (2011), 97 CPR (4th) 139 (FC) [Fresh Headies]


[9] (2002), 22 CPR (4th) 388 (TMOB) [Cadbury]

[10] (2010), 82 CPR (4th) 10 (FC)


[12] (2018), 155 CPR (4th) 151 (TMOB)

[13] (2013), 117 CPR (4th) 254 (FC) [Trans-High]

[14] 2011 FCA 151


[16] 2018 CarswellNat 2743 (CIRA)

[17] Ibid at para 77

[18] Ibid at para 93

[19] IP Protection, note 3 supra

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