

Intellectual Property

The best high for cannabis companies might come from strong IP rights

By **Micheline Gravelle and Jennifer McKenzie**



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(July 25, 2018, 12:03 PM EDT) -- Canada has become the first G7 country to legalize nationwide the purchase and use of recreational cannabis. On June 19, 2018, the Senate passed the final version of the *Cannabis Act*, also known as Bill C-45, by a vote of 52-29, ending Canada's 95-year prohibition on cannabis. The law will come into force on October 17, 2018. Regulations under the Act were published on July 11, 2018.

The retail value of the recreational cannabis market in Canada has been estimated to be from \$4.9 billion to \$8.7 billion per year. The total potential economic impact could be about \$22.6 billion. Due to the large market value, it is increasingly important that companies producing cannabis, cannabis products and devices seek to protect their intellectual property (IP) in Canada.

The different types of IP rights available for cannabis and related products in Canada are briefly discussed below.

Trademarks are words and designs that function to distinguish one entity's goods and services in the market from all others. Between January 2016 and January 2018, the number of annual filings to protect cannabis has quadrupled. The Act restricts certain types of marks. For example, prohibited under the Act are marks for cannabis products that consist of a person, character or animal, whether or fictional or real and marks that appeal to minors.

A patent provides a monopoly to the owner to exclude others from making, using or selling the invention during the term of the patent, which is 20 years from the filing date. A patent is awarded to inventions that are new, useful and inventive. To obtain a Canadian patent, a patent application must be prepared that fully describes the invention and filed at the Canadian Intellectual Property Office.

In Canada, while plants themselves cannot be patented, patents can be obtained for: 1) novel or modified active ingredients extracted from the cannabis plant or chemically synthesized; 2) novel formulations comprising cannabis active agents or new combinations of active agents; 3) new uses of 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; 5) novel machines and methods for growing or processing cannabis; and 6) new devices for delivery of the cannabis products, such as vaporizers and patches.

Although in Canada, "higher life forms" such as the cannabis plants themselves are not patent eligible, patent protection is available for genetically modified cannabis plant cells as well as novel isolated genes that produce cannabis active agents.

Novel cannabis varieties may be protected under the *Plant Breeders' Rights Act* administered by the Canadian Food Inspection Agency. For a variety to be eligible for PBRs, the variety must be new, as well as being distinct, uniform and stable. With respect to being "new," the variety may be sold in Canada for up to one year prior to the date its PBR application has been accepted for filing in the PBR office. If the variety has been sold only outside Canada, there is a four-year window for it to be considered "new." Comparative tests and trials are required to determine if the candidate variety is distinct, uniform and stable.

Canada has a breeder-run testing system, in which the trials are conducted by the breeder/applicant, agent or someone contracted by the applicant. In terms of being distinct, a variety must be measurably different from all varieties cultivated or exploited for commercial purposes, or described in a publication, at the time the application was filed. A variety must also be sufficiently uniform in its relevant characteristics, and any variation should be predictable and commercially acceptable.

Further, a variety must remain true to its description over successive generations. Once granted, the cannabis breeder gets exclusive rights to the propagating material of their variety for a period of 20 years. These exclusive rights include the right to sell, produce and reproduce, import and export propagating material of the variety as well as the right to authorize others to do the same.

Industrial designs protect novel and non-functional, esthetic aspects of products or their packaging. Industrial designs can protect the shaping of products, such as a novel shape of foods or other edible products, novel packaging, or ancillary products for adult and medical use of cannabis such as delivery devices.

Commercial agreements protect everything from the non-disclosure of confidential information, trademark licences, manufacturing agreements, in- and outsourcing of specific functions. For example, a licensed producer may have an in-sourcing licence with a company that specializes in packaging.

Cannabis companies and suppliers should be aware of the packaging, labelling and marketing requirement for cannabis. Much of the legislation is specifically targeted at limiting potential exposure to young people. For example, it is prohibited to display cannabis or any cannabis accessory in such a way that may result in the product, package or label being seen by a young person, and you cannot sell cannabis or a cannabis accessory that has an appearance, shape or other sensory attribute or function that could reasonably be believed to be appealing to a young person.

Both the Act and the proposed regulations address packaging limitations, which may include restrictions on brand selection, as well as brand name font, size and colour. Further, cannabis products (other than cannabis plants or cannabis seeds) would have to be packaged in an immediate container that is tamper-evident, child-resistant, prevents contamination and keeps the cannabis dry. The immediate container would have to be opaque or translucent.

Legal recreational use of cannabis in Canada represents opportunities as well as challenges for businesses in this industry. Obtaining effective IP protection is important to help position businesses for commercial success.

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