

Cassels

Growing Pains: The Emerging Role of IP in Selling Canadian Cannabis

Alison Hayman

May 18, 2017

Licensed producers and others looking to enter Canada's medical or recreational cannabis industry should be thinking about how they will distinguish their business, products and services from others, in what will undoubtedly become a crowded and competitive marketplace. Intellectual property protection available under Canadian and foreign laws should be an important part of that strategy.

In Canada, licensed producers hoping to sell cannabis for recreational use should register trademarks for their company name and key sub brands. Trademarks can be registered for a wide range of trading indicia, including words, logos, colours, sounds, shapes of goods or packaging will expand to include holograms, scents, tastes and textures in 2019.

The Canadian Intellectual Property Office will register trademarks for cannabis products, unlike in the U.S. where trademarks for products which are unlawful under U.S. federal legislation, such as the *Controlled Substances Act* and the *Food, Drug & Cosmetic Act*, are not registrable. Companies offering analysis and testing services for cannabis products can also create and register certification marks that they license to others whose goods and services meet a defined standard.

This registration is generally available in U.S. states where either medical or recreational cannabis is legal. Licensed producers and manufacturers of accessories, and edibles and topicals once they become legal, can also use the patent system to protect novel processes (such as extraction), product functionality and product formulations.

Plant breeders' rights protections are an interesting option for those creating new strains of cannabis. They are a form of intellectual property rights by which plant breeders can protect new, distinct and stable plant varieties for up to 20 or 25 years depending on the type of plant. There has been at least one application to the Canadian Food Inspection Agency for plant breeders' rights for a Cannabis Sativa strain called "Big C."

Any business offering a product or packaging with a unique shape, pattern or other ornamentation that does not serve a utilitarian function, can obtain industrial design protection for those features for up to 10 years. Copyright, which may be registered or unregistered, is available to prevent the unauthorized copying of original literary and artistic materials, including manuals, packaging and aspects of websites.

Regulatory challenges

Cassels

However, the cannabis industry is, and will be, highly regulated and government restrictions will impede the exploitation of some intellectual property rights and lines of business. Under the existing medical marijuana regime, cannabis is exclusively distributed through direct delivery, with no retail element and very restrictive rules on branding and packaging. The distribution system for cannabis products for the anticipated recreational market remains uncertain. Under the proposed *Cannabis Act*, the provinces will determine how cannabis products will be sold — which might involve sales in a pharmacy setting, a dedicated sole-purpose retail establishment, online or through existing provincially controlled liquor retail outlets. The as-yet unpublished regulations will undoubtedly provide further guidance on how cannabis products can be promoted.

The proposed *Cannabis Act* does provide some initial guidance, restricting the sale of cannabis in packages or labels that could be appealing to young people, that contain a testimonial or endorsement, that depict a person, character or animal or that are associated with “a way of life” including glamour, recreation, excitement, vitality and risk. There are similar restrictions on sales of cannabis and cannabis accessories with an appearance, shape or other sensory attribute or function that could be appealing to young persons.

Export and cross-border opportunities

Although there are current and anticipated restrictions, the opportunity to export cannabis means that industry needs to focus on intellectual property protection beyond our borders. Under the existing medical marijuana regime, licensed producers of cannabis for medical purposes can export cannabis to jurisdictions where it can be legally sold for that purpose, but only if they obtain a Health Canada permit. Identifying the opportunity this presents, a number of licensed producers have already begun forging international relationships in countries such as Croatia and Australia, entering into agreements and exporting medical marijuana.

The proposed *Cannabis Act* specifically limits exportation of cannabis to scientific and medical purposes. If enacted in its current form, this will mean that cannabis cannot be exported for a recreational market. However, for those developing associated technologies, accessories and other cannabis-related intellectual property, global protection of those valuable assets should be top of mind.

It is also important to note that U.S. cannabis producers cannot export their products beyond their state borders. This means that established U.S. edibles and topical manufacturers may seek strategic partnerships and intellectual property licensing arrangements with their Canadian counterparts. Intellectual property should be used a strategic asset by cannabis-related businesses.

Knowing the regulatory environment and how intellectual property can be used will be critical to maximize opportunities in this exciting and evolving industry.

This article originally appeared on [The Lawyer's Daily website](#) published by LexisNexis Canada Inc.

Cassels

This publication is a general summary of the law. It does not replace legal advice tailored to your specific circumstances.