

November 1, 2017

Cannabis-related Trade-marks: Take Care in Choosing Correctly

As previously reported in *our bulletin*, Bill C-45, *an Act respecting cannabis and to amend the Controlled Drugs and Substances Act, the Criminal Code and other Acts*,¹ was tabled before the House of Commons in Canada in April 2017. It is anticipated that the Bill could become law by July 2018.² Among the various prohibitions proposed in Bill C-45, some prohibitions are specifically directed to: (i) the promotion of services related to cannabis;³ and (ii) the packaging and labeling of cannabis products and cannabis accessories.⁴ Such proposed prohibitions, if passed, may impact the kinds of trade-marks that cannabis-industry players may be able to adopt or use in association with their offered goods and/or services.

As proposed under Bill C-45, and unless otherwise authorized, it will be prohibited to promote cannabis, a cannabis accessory or

¹ *1st Sess, 42nd Parl, 2017.*

² Department of Justice, "*Legislative Background: An Act respecting Cannabis and to amend the Controlled Drugs and Substances Act, the Criminal Code and other Acts (Bill C-45)*" (May 29, 2017), Government of Canada – Department of Justice (website).

³ *Supra* note 1, cls 16-24.

⁴ *Ibid*, cls 25-28.

any service related to cannabis,⁵ or to sell cannabis or a cannabis accessory in a package or with a label:⁶

- by doing so in a manner that there are reasonable grounds to believe could be appealing to young persons;
- by means of a testimonial or endorsement, however displayed or communicated;
- by means of or by setting out the depiction of a person, character or animal, whether real or fictional;
- by presenting cannabis, a cannabis accessory or any service related to cannabis, or any of its brand elements in a manner that associates it or the brand element with, or evokes a positive or negative emotion about or image of, a way of life such as one that includes glamour, recreation, excitement, vitality, risk or daring; or
- that contains any information that is false, misleading or deceptive or that is likely to create an erroneous impression about the characteristics, value, quantity, composition, strength, concentration, potency, purity, quality, merit, safety, health effects or health risks of the cannabis or cannabis accessory.

Furthermore, unless otherwise authorized, “it is prohibited to sell cannabis or a cannabis accessory that has an appearance, shape or other sensory attribute or a function that there are reasonable grounds to believe could be appealing to young persons”.⁷ Breaching any one of the foregoing proposed prohibitions related to promoting, packaging and labeling may result in significant penalties.⁸

⁵ *Ibid*, cl 17.

⁶ *Ibid*, cls 26-27.

⁷ *Ibid*, cl 31.

⁸ *Ibid*, cls 44, 111.

The prohibitions in Bill C-45 as they pertain to promoting, packaging and labeling are not unexpected. As stated in the Bill itself, the purpose of Bill C-45 is to “protect the health of young persons” by restricting their access to cannabis and from inducements to use cannabis.^{9,10} In addition, many of the provisions in Bill C-45 pertaining to promoting, packaging and labeling are likely inspired by (and borrowed from) similar provisions already in force in the *Tobacco Act*.¹¹ For example, under the *Tobacco Act*, it is not permitted for one to display a tobacco “brand element” on a non-tobacco product or service if the non-tobacco product or service:¹²

- is associated with young persons or could be construed on reasonable grounds to be appealing to young persons; or
- is associated with a way of life such as one that includes glamour, recreation, excitement, vitality, risk or daring.

Section 20 of the *Tobacco Act* also prohibits promotions of tobacco products that would create an erroneous impression about the characteristics or health effects of the tobacco product. Further, section 21 of the *Tobacco Act* prohibits the promotion of tobacco products by means of “depiction of a person, character or animal, whether real or fictional”. Given that there are similarities between cannabis and tobacco, it is not surprising that similar themes appear in Bill C-45 as well. By extension, such themes may also affect a person’s entitlement to seek protection of certain trade-marks.

Under the *Trade-marks Act*,¹³ a person is not entitled to use a trade-mark if that trade-mark contravenes a Canadian federal

⁹ *Ibid*, cl 7.

¹⁰ See *ibid* (for the provisions of interest herein, a “young person” is understood to be “an individual who is under 18 years of age”, cl 2)

¹¹ SC 1997, c 13.

¹² *Ibid*, s 27.

¹³ RSC 1985, c T-13.

statute.^{14,15,16} As the principles of trade-mark law are intimately connected with the concepts of “brand elements”, packaging and labeling, the potential relevance of federal laws (e.g. *Tobacco Act*) and proposed federal legislation that will likely be passed (e.g. Bill C-45) that have provisions directed to one’s entitlement to use or adopt certain trade-marks should not be overlooked.

In a recent trade-mark opposition, an application for the registration of a trade-mark containing silhouettes of wolves in its design, for use in association with tobacco-related products, was opposed. One of the grounds of opposition was that the applicant could not have been satisfied that he was entitled to use the mark in association with the goods, because such use would be unlawful since it depicted an animal and appealed to young people, in contravention of the *Tobacco Act*.¹⁷ While the opposition board ultimately drew a distinction between the use of a mark in the promotion of tobacco products by means of “depiction of a person, character or animal, whether real or fictional”, and use of such trade-mark pursuant to section 4 of the *Trade-marks Act*¹⁸ (only the latter of which is at issue in an opposition), the trade-mark application was nevertheless rejected for violating other federal statutes.¹⁹ It is likely that similar kinds of analyses would be undertaken for cannabis-related trade-mark applications if Bill C-45 were passed into law.

Notwithstanding the fact that Bill C-45 is still proposed legislation before the House of Commons and therefore not in force, cannabis-industry players may nevertheless wish to consider the potential impact of the provisions in Bill C-45 (and potential

¹⁴ *Ibid*, s 30(i).

¹⁵ See also *ibid* as amended by *Economic Action Plan 2014 Act*, No 1, SC 2014, c 20, s 339 to adopt s 30(1) (anticipated to come into force by or in 2019).

¹⁶ See *AIL International Inc v Canadian Energy Services LP*, 2017 TMOB 2 at 28.

¹⁷ *Imperial Tobacco Canada Limited v Dickson*, 2016 TMOB 87.

¹⁸ *Ibid* at 88-89.

¹⁹ *Ibid* at 98.

administrative or judicial interpretations thereof) when choosing a trade-mark for adoption or use in Canada.

About McMillan's Cannabis Practice Group

McMillan's leading Cannabis Practice Group provides innovative and practical solutions to clients in the cannabis industry.

McMillan's Cannabis Practice Group is made up of lawyers who understand the laws, regulations, and business landscape in Canada. Our professionals provide valuable legal solutions for financing, accessing public markets, mergers and acquisitions, licensing and regulation, employment law, workplace issues, and intellectual property, to help businesses succeed in this new and evolving industry.

by Pablo Tseng, Sharon Groom and
Gavyn Backus (Articled Student)

For more information on this topic, please contact:

Vancouver	Pablo Tseng	778.328.1631	pablo.tseng@mcmillan.ca
Toronto	Sharon Groom	416.865.7152	sharon.groom@mcmillan.ca

a cautionary note

The foregoing provides only an overview and does not constitute legal advice. Readers are cautioned against making any decisions based on this material alone. Rather, specific legal advice should be obtained.

© McMillan LLP 2017