

Tips For Avoiding Cannabis Patent Infringement Lawsuits

By **Patrick Muffo** (June 9, 2022, 4:27 PM EDT)

The buzz of the cannabis industry has brought with it significant competition. The green rush of legalization produced a small group of legitimate competitors in both the consumable and pipe spaces.

It is no surprise, then, that innovative companies protected their technology and did everything they could to box out their competition. The industry can expect more of the same as competitors fight for market share in a business ripe for explosion.

Take, for example, the March 28 Puff Corp. v. SHO Products LLC lawsuit in the U.S. District Court for the Central District of California, with vaporizer giant Puff Corp., or Puffco, facing off against competitor MasterMinded Inc. over the alleged infringement of Puffco's e-rig patent.[1] The litigation is pending.



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That case comes on the heels of a lawsuit that had Puffco forcing competitor Kandypens Inc. into a Kandypens Inc. v. Puff Corp. November 2021 consent injunction in the Central District of California that prevented Kandypens from selling its Aura product.[2]

The Aura is a portable dab rig that competes with PuffCo's flagship Peak product. The Aura is still for sale — albeit at significantly reduced prices — so it appears PuffCo is allowing a limited sell through before officially forcing the Aura off the market.

These recent cases have devastating consequences. Kandypens has not launched a replacement for the Aura and appears to have vacated the e-rig market altogether once the Aura officially sells through. It is impossible to say, but PuffCo may have forced them out of the market completely, at least within this product category.

And that is to say nothing of the legal fees incurred by Kandypens after multiple years and several lawsuits against the industry giant.

This was avoidable. Cannabis pipe companies can be proactive in addressing these issues at the front end and avoiding the pitfalls of their competitors. Here's how.

Conduct a Patent Clearance

Cannabis pipe companies must ensure they are not treading on patented territory. A patent clearance search can help companies gain visibility into the relevant patents within their space. With this eyes-wide-open approach, companies can design their products at the front end to avoid infringement, rather than litigating at the back end to mitigate the damage.

This process is often referred to as a design-around and is typically the least burdensome and costly avenue for reducing the risk of a patent infringement lawsuit.

Obtain an Invalidity Opinion

Another option is to fight the patent itself. A patent claim is invalid if a published document disclosed the contents of the claim prior to the filing date of the patent application, or if the claimed invention

would have been obvious based on one or more such documents. And the U.S. Patent and Trademark Office — while rigorous in their examination — sometimes makes mistakes.

Some companies may become frustrated by the breadth of a competitor's patent and assure themselves it was well known at the time the patent application was filed. How can they patent something so broad! Here, a prior art search and analysis can help obtain documents that disclose the patented invention to prove to a competitor that their patent is not, in fact, on stable ground.

There's a catch. First, the mere showing that a patent claim is invalid does not somehow negate its existence. As discussed below, that process is more drawn out and, well, expensive. It is also more difficult to win any patent lawsuit by asserting a defense of invalidity.

Because the patent office has already granted the patent, courts will not invalidate a patent claim unless a defendant proves invalidity by clear and convincing evidence. This is a significantly higher burden than the standard for infringement, which is a preponderance of the evidence.

It is exactly why companies assert broad patents against their competitors with relative success. The process for killing the patent is much more difficult than proving infringement.

File an Inter Partes Review

The USPTO has several procedures for taking a second look at what might appear to be a questionable patent. One popular mechanism is the inter partes review, or IPR, that is relatively quick and inexpensive compared to district court litigation. A final decision on the merits will be issued within 18 months of the petition being filed, and the cost — while not cheap — is still far less than standard district court litigation.

There's a catch here as well. Several, actually. First, a defendant cannot file an IPR if that same defendant has alleged invalidity in a declaratory judgment lawsuit. For this reason, many litigants scramble to get an IPR on file before answering a complaint to avoid being shut out of the IPR process.

Second, an IPR only involves printed publications. Defendants will often assert invalidity because the patented invention was first sold by a third party competitor before the filing date of a patent. That defense cannot be asserted in the IPR process.

And finally, a defendant cannot assert the same invalidity defense in district court litigation that was unsuccessfully asserted in the IPR.

The pendulum has swung back and forth several times for the IPR process. Some say it is now more friendly to patent owners, and many will rightly argue that it was more friendly to patent challengers at its inception.

The board overseeing the IPR process is very sophisticated, however, which can be beneficial to a litigant who believes strongly in their invalidity position.

File a Declaratory Judgment Action

The most aggressive defensive tactic in patent infringement litigation is the declaratory judgment action. This type of lawsuit is actually brought by the accused infringer, and asks the judge to hold the accused product does not infringe the asserted patent, and that the asserted patent is invalid.

Accused infringers file these types of actions typically when they fear being hauled into a court that may seem disadvantageous or patent owner friendly. An accused infringer could file in the patent owner's home location or a variety of other courts.

But, this tactic doesn't avoid a lawsuit. This tactic is a lawsuit.

Obtain Patents of Your Own

Every innovative company should file for patent protection, whether in the cannabis industry or not.

Patents can be valuable assets to assert against competitors, to persuade retailers that your product is a better mousetrap, or simply to have as an asset for when your company is sold.

Patents can also be divested if they are valuable, and fetch hundreds of thousands of dollars on average within patent brokerage exchanges. If your company invents something valuable, protect it.

How does this avoid a lawsuit? Well, it doesn't. But competitors often cross-license their patents when faced with competing patent lawsuits. In a patent war, it is helpful to have weapons that can be pointed at the other side so that a collective cease-fire can eventually be agreed to.

Patentable inventions come in many forms and are found throughout the cannabis industry. For example, some utility patents protect the chemical composition that results from the extraction of THC from a cannabis plant.

One such patent was litigated in the lawsuit of United Cannabis Corp. v. Pure Hemp Collective Inc.[2] There, United Cannabis, or UCANN, obtained a patent for a liquid cannabinoid formulation with at least 95% THC, THCa, CBD, and various combinations of the above including certain terpenes..

In 2018, UCANN sued Pure Hemp Collective for patent infringement and the industry watched the U.S. District Court for the District of Colorado with a careful eye given the broad purported scope of the UCANN patent. But then UCANN filed for bankruptcy and the case was stayed, and later dismissed, due to that bankruptcy.

A design patent protects the aesthetic appearance of a device. Infringement occurs when an ordinary observer considers the patented design and the accused product to be substantially the same given their aesthetic similarities. Design patents can therefore be a useful tool against clear knock-offs that are designed to confuse a customer into purchasing a fake product.

One such lawsuit is Mike's Novelties Inc. v. Eyce LLC,[3] where Mike's in 2020 asked the U.S. District Court for the District of Oregon to find its products do not infringe Eyce's patents. The case eventually settled with Mike's designing its products differently and avoiding any rational allegation of design patent infringement.

Conclusion

The cannabis industry is a budding economy with financing issues abound. Many companies lack the necessary funding due to nonsensical government banking laws that the industry is all too familiar with. Those with money, however, are clearly using it to gain early market share and establish themselves as the leader in an industry so focused on who was first.

Now is the time to invest in IP at the front end, including obtaining patents of your own as well as designing around patents that are clearly being asserted against a large swath of the industry. Nobody enjoys spending money on legal fees.

But being proactive can limit the expense of a patent infringement lawsuit and the accompanying damages and injunction that may result. Many have learned that putting your head in the sand is not a productive tactic.

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[1] Puff Corp. v. SHO Products, LLC et al, 2:22-cv-02008-GW-KS (C.D. Cal.),

[2] United Cannabis Corp. v. Pure Hemp Collective, Inc., 1:18-cv-01922-NYW (D. Colo.).

[3] Mike's Novelties, Inc. v. Eyce, LLC, 6:20-cv-01754 (D. Or.).

