



Glass House Withdraws Defamation Lawsuit Filed Over Product Diversion Allegations

Glass House Brands Inc. has withdrawn its defamation lawsuit against Catalyst Cannabis Co., citing concerns over Catalyst's financial viability and the potential harassment of its customers, while Catalyst's CEO claims the withdrawal coincides with Glass House's reluctance to produce documents for the discovery phase of the lawsuit.

▼ Full story after the jump.

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Glass House Brands Inc. has announced the withdrawal (<https://www.morningstar.com/news/business-wire/20240520481387/glass-house-withdraws-defamation-suit-citing-catalyst-financial-viability-concerns-and-harassment-threats-to-customers>) of its defamation lawsuit against Catalyst Cannabis Co., citing concerns over Catalyst's financial stability and potential harassment of Glass House's customers. The lawsuit, filed against Catalyst and its principals Elliot Lewis and Damian Martin, accused them of making unfounded claims that Glass House was selling cannabis into the unlicensed market.

Catalyst's allegations, disseminated through social media, asserted that a significant portion of Glass House's products were diverted to illicit markets, a claim Glass House denied. Rather than specific evidence of wrongdoing, the allegations made by Lewis were based on mathematical calculations highlighting sales & production metrics.

The decision to dismiss the lawsuit against Catalyst was reportedly influenced by several factors, one of which stemmed from doubts about Catalyst's ability to pay a potential judgment, with Glass House's statement

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noting Catalyst's recent financial struggles, including layoffs and store closures.

In a response posted to LinkedIn, Lewis pointed out that although his company faces obstacles and often does not have much cash on hand due to the nature of the industry and California's cannabis market, to suggest that his business wouldn't be able to afford a judgment would be to ignore the "enterprise value" of Catalyst's retail footprint in the state and its various assets. Lewis argued that the timing of the announcement also was suspicious, and seemed to coincide with Glass House needing to hand over documents related to the discovery phase of the lawsuit.

In a post celebrating the dismissal of the suit, Lewis's legal representative, Jeff Augustini, wrote: "To get to this day, we had to win nearly a half dozen discovery motions, defeat a motion for reconsideration, and file additional motions to compel compliance after Glass House continued to evade the discovery. But ultimately, when faced with the prospect of finally having to produce the ordered information, Glass House chose to dismiss the case entirely rather than produce the information."

Defending its decision to withdraw the suit, Glass House highlighted the potential risk of customer harassment. Pursuing the lawsuit would have required disclosing details about its customers, exposing them to further subpoenas from Catalyst. In its statement, Glass House maintained that all its sales are conducted legally through California's track-and-trace system, METRC, and that its customers are all licensed operators.

Although the detailed records of Glass House's business dealings may never come to light, it is a widely-known "secret" that many licensed cannabis operators engage in some form of product diversion to remain profitable, and the company's move to end the suit is likely to spark further speculation. In fact, when Glass House's defamation lawsuit was originally filed, Lewis seemingly alluded to this eventual outcome when he posted on Instagram (<https://www.ganjapreneur.com/glass-house-brands-sues-catalyst-cannabis-for-defamation-over-diversion-claims/>): "I want to thank Kyle and Graham for bringing it, because you've opened up the discovery floodgates."

The withdrawal of this lawsuit does not mark the end of the legal dispute between the two companies, however. Glass House still remains involved in separate litigation initiated by Catalyst, which alleges unfair competition practices.

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