

Analysis of Proposed Consent Order to Aid Public Comment
In the Matter of Reef Industries, et al, FTC File No. 202 3064

The Federal Trade Commission (“FTC” or “Commission”) has accepted, subject to final approval, an agreement containing a consent order with Reef Industries, Inc., a corporation, Cannatera, Inc., a corporation, AndHemp, Ltd., a limited company, and Andrew M. Bouchie, John R. Cavanaugh, and Shaun Paquette, individually and as officers and/or owners of Reef Industries, Inc., Cannatera, Inc., and/or AndHemp, Ltd. (collectively, “Respondents”).

The proposed consent order (“Order”) has been placed on the public record for 30 days for receipt of comments by interested persons. Comments received during this period will become part of the public record. After 30 days, the Commission will again review the Order and the comments received, and will decide whether it should withdraw the Order or make it final.

This matter involves the respondent’s advertising of cannabidiol (CBD), a cannabinoid compound found in hemp and cannabis. The complaint alleges that respondent violated Sections 5(a) and 12 of the FTC Act by disseminating false and unsubstantiated advertisements claiming that: (1) CBD products can effectively prevent, cure, treat, or mitigate multiple diseases and other health conditions; and (2) studies or scientific research prove that CBD products effectively prevent, cure, treat, or mitigate multiple diseases and other health conditions.

The Order includes injunctive relief that prohibits these alleged violations and fences in similar and related conduct. The product coverage would apply to any dietary supplement, drug, or food the respondent sells, markets, promotes, or advertises.

Provision I requires randomized, double-blind, placebo-controlled clinical testing for the challenged claims or any disease treatment, mitigation, or cure claim for a Covered Product. The Order defines “Covered Product” as any dietary supplement, food, or drug including but not limited to CBD products or cannabigerol (CBG) products.

Provision II prohibits other misleading or unsubstantiated representations about the health benefits, performance, efficacy, safety, or side effects of any Covered Product or essentially equivalent product. It also covers prevention claims not specifically included in Provision I.

Provision III requires the preservation of certain records for any testing Respondents rely upon as competent and reliable scientific evidence.

Provision IV addresses Respondents’ false establishment claims and generally prohibits misrepresentations regarding the scientifically or clinically proven benefits of any product.

Provision V provides a safe harbor for FDA-approved claims.

Provisions VI and VII contain monetary payment provisions.

Provisions VIII, IX, and X requires the Respondents to provide customer information to the Commission and to provide notice of the order to customers, affiliates and other resellers.

Provision XI requires an acknowledgement of receipt of the order. It also requires the individual Respondents to deliver a copy of the order to certain individuals in any business for which they are the majority owner or which they control directly or indirectly.

Provisions XII, XIII, and XIV provide the required reporting, recordkeeping, and compliance monitoring programs that must be put in place.

Provision XV explains when the Order is final and effective.

The purpose of this analysis is to facilitate public comment on the order, and it is not intended to constitute an official interpretation of the complaint or order, or to modify the order's terms in any way.