

Cannabis Giants Sue New York to Block Inversion and Tracking Plan

Big Cannabis Operators Sue New York State, Citing “Rampant Inversion” and Delayed Tracking Rules

Large Cannabis Operators File Legal Challenge Over Ongoing “Inversion” Crisis

A trade group representing some of New York’s largest marijuana operators has filed a lawsuit in state Supreme Court, accusing regulators of allowing widespread “inversion” the illegal funneling of illicit and out-of-state cannabis into the legal marketplace.

According to [the New York Medical Cannabis Industry Association \(NYMCIA\)](#), [the Office of Cannabis Management \(OCM\)](#) and [the Cannabis Control Board \(CCB\)](#) have failed to implement basic regulatory safeguards, most notably seed-to-sale tracking. Their inaction, the group claims, has opened the door for unregulated products to move freely into licensed businesses.

In its complaint, the NYMCIA argues that regulators “have allowed a prolific supply of illicit and unregulated cannabis to enter the licensed New York cannabis market,” undermining both public safety and legal operators.

The lawsuit was first reported by the *Albany Times Union*.

Suit Seeks Immediate Rules, Enforcement Plans, and a Long-Delayed Track-and-Trace System

The lawsuit urges a state judge to compel regulators to take swift action, including:

- Creating formal rules and enforcement strategies to curb inversion and diversion.
- Revoking licenses of any operator found to be participating in these practices, with referrals for possible prosecution.
- Launching a functional seed-to-sale tracking system by the end of 2024.

In a statement, NYMCIA emphasized the critical importance of track-and-trace:

“The importance of a functioning seed-to-sale program cannot be overstated when it comes to preserving market integrity, patient access, and public safety.”

The group argues that “predictability” has been missing since New York’s adult-use rollout began in 2022, and that litigation is necessary to “compel [the state] to finally meet its legal obligations.”

Lawsuit Says Fewer Than 30% of New York Cannabis Operators Are Profitable

The suit names OCM Acting Executive Director Felicia B. Reid and CCB Chair Jessica Garcia as defendants.

NYMCIA represents the state’s 13 vertically integrated medical cannabis operators—known as registered organizations (ROs) many of which are large multistate operators (MSOs). These companies say they have invested “millions of dollars in capital, often borrowed at premium interest rates,” only to face a market overwhelmed by illicit supply.

According to the complaint, fewer than **30% of New York cannabis businesses are profitable**, a figure the trade group attributes largely to regulators’ inability or unwillingness to halt inversion.

The lawsuit states that regulators “have done nothing to stop the importation of illicit cannabis products that are manufactured and/or cultivated outside of New York State.”

MSOs Highlight Longstanding Frictions With New York Regulators

This lawsuit is the latest in a years-long feud between the state’s large operators and cannabis regulators.

MSOs have long criticized policymakers for:

- **Delaying** the launch of adult-use sales
- Giving **social-equity applicants first access** to retail licenses
- Presiding over a **chaotic rollout** that allowed New York’s illicit market to flourish

Recent enforcement efforts have included the April seizure and quarantine of **\$10 million** worth of vapes, pre-rolls, and other cannabis products tied to the licensed processor and distributor Omnium. Regulators moved to revoke Omnium’s license last month for its alleged involvement in an inversion scheme.

Still, NYMCIA argues these actions represent isolated crackdowns—not systemic regulation.

Track-and-Trace Delays Continue to Frustrate Operators

Despite repeated promises, New York still does not have an operational seed-to-sale tracking system. Plans to launch Metrc in August were scrapped abruptly following a merger between Metrc and Biotrack, two of the largest cannabis compliance software providers in the country.

As of fall 2024, OCM has floated **early 2026** as a possible launch target—an outlook that many operators view as unacceptable.

Without track-and-trace, NYMCIA argues, regulators have no reliable mechanism to monitor inventory, enforce standards, or prevent inversion and diversion.

A Market at a Crossroads

New York's cannabis industry, projected at \$1.8 billion, is still struggling to stabilize two years into legal adult-use sales. The NYMCIA lawsuit reflects a broader frustration among licensed operators who feel they are being forced to compete with an unrestrained illicit market while regulators remain overwhelmed and under-resourced.

Whether this lawsuit will prompt an acceleration of enforcement and tracking remains to be seen. But it is yet another sign that tensions between New York's biggest marijuana companies and state regulators are reaching a breaking point.

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