

June 3, 2011

Assistant Secretary, Drug Strategy Branch
Attention: Tobacco Reform Section
Department of Health and Ageing
GPO Box 9848
Canberra, ACT 2606

Dear Assistant Secretary:

As a global organization of 5,700 trademark owners and professionals from over 190 countries, the International Trademark Association (INTA) greatly appreciates the opportunity to participate in this consultation process to provide comments on the draft Tobacco Plain Packaging Bill 2011.

INTA commends the efforts of the Australian Government to address serious health problems through legislation. Although we take no position on the particular health issues, we strongly believe that the draft Tobacco Plain Packaging Bill 2011 is a serious encroachment on the rights of trademark owners and frustrates the ability of trademarks to function properly as a part of free and effective commerce.

In previous comments to the Australian Senate on the 2010 draft Tobacco Plain Packaging Bill, INTA raised issues with respect to:

- certain provisions of the Constitution of Australia;
- an increased risk of counterfeiting; and
- violations of treaty obligations.

For detailed comments on these issues, we refer you to our previous submission, which is enclosed. In addition to the issues presented above, INTA is concerned with the 2011 draft Bill with respect to:

- use requirements under Australia's Trade Marks Act;
- the effect of the Bill on distinctiveness and registration of a trademark;
- potential treaty violations of the TRIPS Agreement and Paris Convention, which will place Australia outside the international trademark harmonization process; and
- currently unavailable regulations to the draft Bill, which present trademark owners with uncertainty as to the specifics of the legislation's implementation.

The following comments by INTA address these specific issues.

Use Requirements under Australia's Trademark Law

The requirement for use of a trademark, or at the very least, an intention to use the trademark, permeates the Australian Trade Marks Act. Indeed, use is one of the cornerstones upon which Australian trademark law is built. The statutory definition of a trademark clearly reflects this and Section 17 of the Act defines a trademark as being a sign used or intended to be used. Likewise, the threshold requirement for a trademark application under Section 27 requires that the Applicant use or intend to use the trademark.

A statutory provision which prohibits certain traders from using their trademarks cuts across the basic principles of trademark law and directly contradicts the exclusive right to the use of a registered trademark conferred under the Trade Marks Act. Not only does the Bill prohibit the use of trademarks for tobacco

products, other than block letter word marks, but the Bill may also exclude certain traders from the trademark registration process in the sense that traders in tobacco products may not be able to demonstrate either use or intent to use for trademark applications. That being so, such traders may be precluded from making applications to register a trademark for tobacco products, other than a block letter word mark.

Acquisition of Distinctiveness and Registration

In an attempt to address the concerns raised in the prior proposed legislation, Section 15 states:

- (1) *The Registrar of Trade Marks must not do any of the things in subsection (2) merely because:*
 - (a) *the registered owner of the trade mark is prevented from using the trade mark on the packaging of tobacco products, or on tobacco products, under this Act; or*
 - (b) *as a result of being so prevented, a trade mark is not able to be used to distinguish tobacco products.*
- (2) *The Registrar of Trade Marks must not do any of the following for the reasons referred to in subsection (1):*
 - (a) *reject an application for the registration of a trade mark under the Trade Marks Act 1995;*
 - (b) *revoke the acceptance of an application for the registration of a trade mark under that Act;*
 - (c) *refuse to register a trade mark under that Act;*
 - (d) *revoke the registration of a trade mark under that Act;*
 - (e) *remove a trade mark from the Register of Trade Marks under that Act.*

The intention of the section is to ensure that a trademark registration cannot be rejected, revoked, refused or removed merely because the owner is prevented from using the trademark as a result of the provisions of the Bill. While this section does answer some of the previous concerns, it creates inconsistencies in the Australian Trade Mark Law.

The section in the Trade Marks Act governing the registration of trademarks is Section 41. Under that section, a trademark which is to some extent inherently adapted to distinguish (Section 41(5)) or is not to any extent inherently adapted to distinguish (Section 41(6)), may proceed to acceptance if there is evidence that the applicant has used or intends to use the trademark. These sections provide for the registration of trademarks that are not *prima facie* registrable, for example because they are descriptive or suggestive of the goods, are a common surname or geographical place name. Such marks can proceed to registration, under the terms of Section 41(5) or Section 41(6), if there is evidence presented that they have been used to such an extent that they do in fact distinguish the applicant's goods in the marketplace.

According to the terms of Section 15 of the Bill, the Registrar "must not reject or refuse the trade mark because the trade mark has not been used". This is inconsistent with the terms of Sections 41(5) and 41(6), which allow for the registration of certain trademarks only upon provision of evidence of use. The consequence of this is that trademarks for tobacco products (other than block letter word marks) that might otherwise be non-distinctive or descriptive and therefore subject to objection under Sections 41(5) or 41(6) must be assessed for registration without regard to any use.

Treaty Obligations

Paris Convention

As discussed above, it is clear that the proposed legislation is likely to have the unintended consequence of not only affecting use, but also registration of

trademarks. In this regard, the legislation may well be in breach of Australia's obligations under the Paris Convention.

Australia has clear obligations under Article 6 *quinquies* (1) to accept for filing and protection trademarks duly registered in other countries, subject only to limited reservations. Furthermore, Article 7 of the Convention states that the nature of the goods should not be an obstacle to the registration of the trademark. Because the Bill will adversely affect the registration of certain goods, it is likely in contravention of the Paris Convention.

TRIPS Agreement

The effects of the Bill on Australia's obligations under the Trade-Related Aspects of Intellectual Property Rights (TRIPS) Agreement have been the subject of debate in previous submissions. Of particular relevance to trademark law in Australia is Article 20 which reads:

[t]he use of a trademark in the course of trade shall not be unjustifiably encumbered by special requirements, such as use with another trademark, use in a special form or use in a manner detrimental to its capability to distinguish the goods or services of one undertaking from those of other undertakings.

It is clear that plain packaging requires the brand name to be used "in a special form," *i.e.*, depicted only in block letters of a particular font and having letters of a specified size, or however the Regulations to the Act may decree. Furthermore, Section 14(2) of the draft Bill specifically refers to requirements that "specify conditions for using" trademarks for tobacco products, which is clearly a special requirement.

The special requirements contained in the Bill are unjustifiable in the sense envisaged by the TRIPS Agreement because the effect of the requirements is detrimental to the ability to distinguish those goods in the course of trade. Not only will generic packaging reduce and/or remove the distinctiveness of tobacco trademarks, but also will reduce and/or remove the benefits of distinctiveness and information afforded to consumers by distinctive marks. A fundamental tenet of trademark law worldwide is that consumers are able to distinguish between goods and identify the origins of goods by the trademark. For these reasons, the special requirements proposed do not have the necessary level of justification.

Although, Article 8(1) of TRIPS exempts public health measures from obligations under the treaty, we believe the current proposed legislation does not meet the requirements for public health exceptions. Article 8(1) states that public health measures are excepted if they are "*necessary to protect public health... provided that such measures are consistent with the provisions of [TRIPS].*" In light of the onerous implications of the draft Bill on intellectual property rights, and considering the lack of discernible evidence linking restrictions on trademark use to the public health, we believe that the draft Bill does not meet the requirements of necessity under the TRIPS Agreement.

The provisions in the Bill that relate to trademark law in Australia may also have the consequence of placing Australia outside the international trademark harmonization process by introducing legislation which starkly contradicts long-standing principles of trademark law. In effect, the Bill prejudices Australia's participation in the trademark harmonization process.

Uncertainty of Future Implementation of Regulations

From a trademark use perspective, Section 14 is the key to the Bill. However, Section 14 provides that the Regulations to the Act, which are unpublished, will state the specific use requirements for trademarks.

Section 14 does outline non-exhaustive powers under the legislation which may:

- (a) *prohibit the use of any trade mark, logo, brand, business or company name, or other identifying mark, on packaging or on tobacco products; or*
- (b) *specify conditions for using any trade mark, logo, brand, business or company name, or other identifying mark, on packaging or on tobacco products (including conditions that effectively constitute a prohibition on such use); or*
- (c) *prohibit the use of any design of packaging or any design of a tobacco product; or*
- (d) *specify conditions for using any design of packaging or any design of a tobacco product (including conditions that effectively constitute a prohibition on such use); or*
- (e) *otherwise relate to the appearance, size or shape of packaging or tobacco products; or*
- (f) *relate to the opening and contents of packaging; or*
- (g) *relate to the content of any information to be included on packaging; or*
- (h) *provide that information of a specified kind is not to be included on packaging; or...*

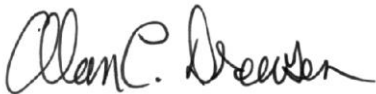
Moreover, Section 13, which is a summary of Chapter 1 of the Act, states that:

...the Regulations may prohibit (either entirely or subject to conditions) the use of trade marks, logos, brands or business or company names on packaging or on tobacco products. The Regulations may also specify other requirements (such as colour requirements) for the appearance of packaging and tobacco products.

INTA is concerned with regard to the breadth of the requirements which may be imposed upon trademark owners and in particular the lack of certainty which trademark owners face in the adoption and placement of trademarks, given the possible ease with which Regulations, as opposed to legislation, may be amended in the future. Regulatory amendment is not subject to the same degree of scrutiny, comment and publicity. Nor are regulations as easy to find, study, and analyze, generally making the risk of inadvertent non-conformity a real issue. Additionally, the intent that the Regulations will carry the detail presents a serious challenge to third parties wishing to provide comment on the content and impact of the exposure draft on owners of trademarks for tobacco products.

This submission was prepared by INTA with the assistance of the Legislation and Regulation Committee as well as members of INTA's policy staff. If you have any questions or concerns with this submission, please contact Mr. Seth Hays, INTA's External Relations Manager for Asia-Pacific, at shays@inta.org.

Sincerely,



Alan C. Drewsen
Executive Director

encl: 2010 draft Tobacco Plain Packaging Bill comments



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FEBRUARY 24, 2010

Committee Secretary
Senate Standing Committee on Community Affairs
P.O. Box 6100
Parliament House
Canberra ACT 2600
Australia

Dear Sirs:

As a global organization, the International Trademark Association (INTA) is grateful for the opportunity to put forward its comments with respect to the issues raised in the Australian Senate's bill on Plain Tobacco Packaging.

INTA is a not-for-profit membership association of more than 5,600 corporations, law firms and other trademark-related businesses from more than 190 countries throughout the world. INTA is headquartered in New York with offices in Brussels and Shanghai. Its membership crosses all industry lines, including manufacturers and retailers, and is united in the goal of supporting the essential role trademarks play in promoting effective national and international commerce, protecting the interest of consumers, and encouraging free and fair competition.

INTA commends the Australian federal government for its National Health Taskforce discussion paper issued in 2008, which put forth recommendations as to how to address a number of health issues over the next decade. Although INTA takes no position on the health issues themselves, the Association strongly believes that the current Tobacco Bill, introduced into the Australian Senate on August 20, 2009, represents an encroachment on the rights of trademark owners and their ability to properly and lawfully use their trademarks.

The stated object of the Bill is to mandate plain packaging for tobacco products as set out below:

Noting:

*the tobacco industry's use of colour, novelty packaging and other imagery enables it to target particular market segments and convey brand character; and
that colour and imagery are also used to misleadingly convey relative brand strength and quality;*

the object of this Act is to regulate tobacco packaging, in order to:

(a) reduce initiation of tobacco use, tobacco consumption and quitting relapse;

- (b) *enhance the effectiveness of package warnings; and*
- (c) *remove the package's ability to mislead and deceive consumers*

The Bill would require cigarette packs to be colored a standard "matt brown" without illustration or decoration and "must not bear any decorative ridges, embossing, bulges or other irregularities". The packaging must not contain any words, trademarks or logos, other than in the bottom of the front of the package in 12 point size "the brand name of the product." On the other side of the packaging, the Bill allows the printing of the name and address and contact phone number of the manufacturer or importer of the package, as the case may be.

INTA is concerned that the implementation of this Bill may give rise to issues with respect to:

- certain provisions of the Australian Constitution;
- an increased risk of counterfeit tobacco products appearing in the Australian market; and
- violation of Australia's international treaty obligations.

The following comments by INTA address these issues in more detail and provide comments on some of the specific provisions within the proposed Bill.

INTA'S GENERAL COMMENTS

USE OF TRADEMARKS

The Trade Marks Act 1995 contemplates the registration of many different types of trademarks, including logo marks, devices, stylized trademarks and non-traditional marks, such as aspects of packaging, colors and even scent.

It is commonplace for manufacturers not only of tobacco related goods, but a wide variety of goods and services to use a range of logos, colors, devices and non-traditional trademarks to distinguish their goods from competing goods. This not only benefits the manufacturer, but importantly enables the consumer to more easily exercise choice and recognize the quality of a product previously purchased. This therefore, assists the consumer to make properly informed decisions about the product that they are purchasing.

Implementation of the Bill would deprive trademarks owners of the exclusive right to use their trademarks as they were intended to be used – as indications of source. The provisions of the Bill may also expose many trademark registrations to vulnerability to removal through non-use. In particular, the Trade Marks Act 1995 grants a trademark owner various exclusive rights in relation to the use of what is defined in section 21 of the Trade Marks Act as personal property. In particular, sections 20 and 22 of the Trade Marks Act provide as follows:

Section 20

(1) *If a trade mark is registered, the registered owner of the trade mark has, subject to this Part, the exclusive rights:*

(a) *to use the trade mark; and*

(b) *to authorise other persons to use the trade mark;*

in relation to the goods and/or services in respect of which the trade mark is registered.

Section 22

(1) *The registered owner of a trade mark may, subject only to any rights appearing in the Register to be vested in another person, deal with the trade mark as its absolute owner and give in good faith discharges for any consideration for that dealing.*

Accordingly, the introduction of legislation mandating plain packaging would substantially reduce a manufacturer's ability to distinguish their goods from other similar goods and in turn make purchasing more difficult for the consumer. In addition, legislating that certain already registered trademarks cannot be used is contrary to the express provision of the Trade Marks Act.

AUSTRALIAN CONSTITUTION

INTA is concerned that the implementation of these provisions may give rise to difficulty in terms of section 51(xxxi) of the Australian Constitution. This section provides that the federal government has the power to acquire property "on just terms." The proposed legislation, which effectively prevents the use of a property right, may constitute an "acquisition," as contemplated by the constitution. Accordingly, consideration must be given to whether trademark owners will be required to be compensated on just terms for that acquisition. It is noted that the quantum of compensation is likely to be the fair market value of the trademarks (*Minister of State for the Army v Danziel* [1944] HCA 4). For one famous tobacco trademark alone the market value has been estimated at over \$40 billion.

INCREASED RISK OF COUNTERFEIT GOODS

Counterfeit tobacco products are prevalent in Australian industry and represent a significant problem. Identifying counterfeit goods will become more difficult in the absence of appropriate marking. This has the potential of increasing the trade in counterfeit goods and will make it easier for counterfeiters to produce cigarette packages. This is not only adverse to the interests of trademark owners, but may lead to poor quality products being available in the Australian market. In other words, the proposed limitation on the use of legitimate trademarks in favor of packaging with small representations of plain standardized word trademarks is likely to increase trade in illegal, counterfeit products.

AUSTRALIAN INTERNATIONAL TREATY OBLIGATIONS

The introduction of plain packaging legislation is potentially in breach of Australia's obligations under International Treaties such as the Paris Convention for the Protection of Industrial Property (Paris Convention) and the Agreement on Trade-Related aspects of Intellectual Property (TRIPS). It is noted that TRIPS is part of the General Agreement on Tariffs and Trade and compliance with TRIPS is a pre-requisite to membership of the World Trade Organization.

Article 15(4) of the TRIPS Agreement expressly provides that:

- "(a) the nature of the goods or services to which a trade mark is applied shall in no case form an obstacle to registration of the trade mark; and*
- (b) the use of a trade mark....shall not be unjustifiably encumbered by special requirements, such as...use in the manner detrimental to its capability to distinguish goods and services." (Article 20)*

It is noted that Article 8 of TRIPS does provide that some measures in the interest of public health may be taken, but only if they are consistent with TRIPS.

Moreover, Article 7 of the Paris Convention states that the nature of the goods under a trademark should not form the basis of an obstacle to the registration of that mark.

Significant work would need to be done to ensure that implementation of legislation requiring plain packaging of tobacco products would not be in breach of Australia's international obligations under these conventions.

SPECIFIC COMMENTS ON THE BILL'S PROVISIONS

Section 3 Object

Regarding: *"...that colour and imagery are also used to misleadingly convey relative brand strength and quality"*

The use of color and imagery on tobacco packaging to re-enforce brand strength and/or the quality of the cigarette product are not inherently misleading if the market is defined as the market for tobacco products. The use of color and imagery within the market for tobacco products seems to be merely for the purpose of facilitating inter-brand competition.

The use of misleading statements and representations on cigarette packaging is already prohibited by sections 52 and 53 of the *Trade Practices Act 1974* (Cth) and equivalent provisions in the *State Fair Trading Acts*.

Regarding *"(c) remove the package's ability to mislead and deceive consumers"*

Phrasing the object of this legislation in terms of diminishing the prospect of consumers being misled or deceived as a result of use of certain branding aspects of cigarette packaging seems inaccurate for the reasons stated above.

Section 55 Requirements for Labelling of Remaining Package Area

Regarding *"(3) the remaining package area must not contain any words, trade marks or logos other than the following information*

- (a) *"On the bottom of the front of the package, in 12 point size - the brand name of the product;"*

On a strict construction of this provision, it appears to only permit the application of one trademark on cigarette packets. Therefore, the use of logos, sub-brands or descriptive qualifiers indicating the relative strength of a product may not be permitted. Logos are a crucial component of brand identification and serve as a strong indicator of source. Logos, sub-brands and descriptive terms indicating type, assist consumers in purchasing the product of choice. This provision should be clarified to contemplate the use of more than "the brand name".

This submission was prepared by INTA with the assistance of its Legislation and Regulation Committee as well as members of INTA's policy staff. We understand that the Australian Senate may hold a hearing regarding the contents of this bill. If so, INTA would be pleased to participate. Should you require further information or wish to invite INTA's oral testimony, please contact INTA staff liaison Mr. Mark Neighbors at mneighbors@inta.org.

Sincerely,



Heather Steinmeyer
President
International Trademark Association