

18 April 2016

Mr. Greg Loyst
Director
Office of Policy and Strategic Planning
Controlled Substances and Tobacco Directorate
Healthy Environments and Consumer Safety Branch
Health Canada
via email: greg.loyst@hs-sc.gc.ca

Dear Mr. Loyst:

Re: Cost-Benefit Analysis on Proposed Plain Packaging Requirements for Tobacco Products

The International Trademark Association (INTA) very much appreciates you taking the time on March 24 to speak with the chair of our Canada Legislation & Regulation Subcommittee, Cynthia Rowden, Subcommittee Member, Stephanie Chong, and our Canada Representative, Gar Knutson, about Health Canada's plans to conduct a cost-benefit analysis on proposed plain packaging requirements for tobacco products. In response to your request, we also are very grateful for the opportunity to provide in more detail below the Association's views on the subject of plain packaging.

INTA is the global association of trademark owners and professionals dedicated to supporting trademarks and related intellectual property in order to protect consumers and to promote fair and effective commerce. INTA's has 199 member companies and firms in Canada, as well as numerous volunteers, who represent Canadian and international businesses doing business in Canada.

At the outset, INTA has had a long-standing interest in the regulation of plain packaging, given the importance of trademarks as key indicators of consumer choice and genuine merchandise. However, it is not INTA's intention to interfere in any way with government policy on smoking, and INTA takes no position on the health issues surrounding smoking. What we would appreciate is that policy makers concerned with both health and intellectual property rights find a balanced approach to achieve laudable objectives pertaining to both of these extremely important and valuable contributors to the health and economic well-being of Canada's citizens. Knowing that you are experts on the health policy aspects of this issue, we will focus on intellectual property rights and in particular, trademarks.

Trademarks, which include words, designs, shapes, colors and other indicia or "trade dress" used to indicate source and quality, are important to all companies, including those in the tobacco industry, and to consumers, who use them to make choices in the marketplace. Trademarks are only valid and enforceable if they are used. Most valuable marks are registered, since registration provides many

key benefits, and owners incur costs to obtain registrations, and maintain those registrations by regular renewal. Some of the trademarks now associated with tobacco products are among the oldest and best-known marks in Canada. The unique way in which tobacco products are sold in Canada in fact increases the importance of trademarks as indicia used in consumer decision-making. Specifically, in many Canadian jurisdictions, tobacco products are not on display in retail stores and can only be selected by viewing, from the other side of a counter, products in a case and handed to the consumer by retail store clerks. When customers do not have the chance to inspect or handle products in advance of their purchase, distinguishable trademarks become even important in decision-making.

INTA has already set out the concerns of brand owners in several submissions on plain packaging for tobacco products in other jurisdictions. These are relevant to the cost-benefit analysis which we understand is being undertaken by Health Canada, and fall into 3 categories:

- (1) concern with consumer health and safety given the increased risk of tobacco counterfeits that will likely follow should plain packaging be introduced;
- (2) compliance with international treaties; and
- (3) the damages and costs to trademark owners should their right to continue to use valuable trademarks and indicia of goodwill be limited.

INTA's position on each issue is summarized below.

Plain packaging legislation would have an adverse impact on consumer protection and will increase counterfeiting.

Trademark laws are consumer protection laws. Consumers and others in the marketplace, including retailers and wholesalers, rely on trademarks and trade dress to make informed decisions about their purchases. Plain packaging legislation that limits the use of well-known, if not famous brands will make those decisions much more difficult. As noted above, trademarks include designs and colors as well as words. Consumers rely on the combination of those elements to select the specific product they intend to purchase, and in fact, the unique retail circumstances already associated with the sale of legal tobacco products makes such elements even more important to ensure consumer certainty. Similarly, retailers who also are involved in the display and sale of products rely on the combination of marks and visual elements such as designs and color to quickly and accurately assist in sales. Plain packaging will complicate lawful business transactions in the marketplace.

Even more serious is the risk of increased unauthorized and counterfeit products. Plain packaging will be much easier to copy, thus increasing the risk of counterfeit products. It bears noting that counterfeit

tobacco products are an international problem, and Canada would not be immune to the risk of increased counterfeiting should plain packaging be introduced. Implications of increased counterfeits include health and safety concerns and lost revenue (including tax revenue). Counterfeit products are less likely to be made in controlled and regulated facilities, comply with ingredient restrictions and include required packaging information such as health warnings, making it even less likely that consumers will obtain the information that authorized manufacturers now include. Brand owners as well as those involved in policing against counterfeits will find it much more difficult to prevent the sale of domestic and imported counterfeits should tobacco be sold in plain packaging.

Plain packaging legislation would likely violate Canada's international treaty obligations.

Canada is a signatory to the World Trade Organization's (WTO) *Agreement on Trade-Related Aspects of Intellectual Property Rights* (TRIPS). The preamble to TRIPS expressly recognizes that intellectual property rights are private rights (TRIPS Part 1, Article 1(2)). Thus, any interference by a WTO member with intellectual property rights, and especially established rights such as trademarks, must consider the implications of such interference, including all damages and other costs to brand owners when rights to fully use such property are limited. Because of the special nature of trademark and trade dress rights, which are dependent on use for validity, limitations on use will result in lost rights in many important brands and trade dress, which should impose an obligation to rectify such losses.

TRIPS also contains provisions which prohibit, *inter alia*:

- requirements which would unjustifiably encumber the manner in which a trademark is used (Article 20); and
- the nature of the product being an obstacle to the registration of a trademark (Article 15(4)).

Canada also is a signatory to the *Paris Convention for the Protection of Industrial Property* ("Paris Convention"). The Paris Convention, which is included within TRIPS, contains a reciprocity provision whereby a trademark that is registered in a country of origin shall be accepted for filing and protected as is in other member countries. The implementation of plain packaging laws for tobacco products in Canada would lead to an inability to apply such reciprocity vis-à-vis countries in which no such laws exist.

Australia's plain packaging legislation is currently the subject of a challenge under the WTO's Dispute Resolution process, and a decision is still pending. It is suggested that consideration of plain packaging regulation in Canada might be postponed until receipt of the results of that challenge, to ensure that any decision on trade restrictions are fully considered before drafting new laws in Canada.

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Plain packaging legislation would cause irreparable loss to trademark owners.

Trademarks (including designs and trade dress) that are owned by tobacco companies are valuable assets. Not only have such brand owners invested in the acquisition of trademark rights, but for many companies, through long use, such marks have acquired considerable value. Legislation that would deny the right to use a valuable trademark is akin to seizing that asset. Given the special nature of trademark rights, limitations on use may result in owners being deprived of valuable intellectual property, eroding millions or more dollars of value in those assets. In addition, restrictions on use adversely impact the right of brand owners to protect their marks from infringement and passing off, not only on other related tobacco products, but also on associated and unrelated goods where unauthorized entities may seek to take advantage of both the reputation of the brand, and the inability of the brand owner to actually use its well-known brands.

While INTA understands that Health Canada is considering plain packaging only for tobacco products, there is justifiable concern that other industries which are perceived as offering unhealthy products will become subject to unjustified onerous restrictions, with more trademarks being stripped of their value. By beginning the process of targeting specific legal trademarked products, Canada may indeed undermine its strong intellectual property rights protection system with deleterious effects on its citizens' health and economic well-being.

INTA would appreciate the opportunity to meet with your department to review its concerns in more detail, and can provide further details on the points above, and others raised by brand owners in Canada and elsewhere. We also would like to inform you that our Chief Executive Officer, who will be in Ottawa May 10-11, has requested a meeting with the Minister of Health Jane Philpott.

The implications for brand owners in all industries are far-reaching. At the same time, as noted above, INTA does not wish to interfere with the government's initiative on consumer awareness of the implications of smoking. It is hoped that alternatives and limits to plain packaging might be considered that do not adversely impact the important and very valuable rights of brand owners in Canada.

Sincerely yours,



Bruce J. MacPherson
Chief Policy Officer