

July 22, 2011

Chairman Steve Georganas MP
Standing Committee on Health and Ageing
House of Representatives
PO Box 6021
Parliament House
CANBERRA ACT 2600
AUSTRALIA

Dear Chairman Georganas:

As a global organization of 5,700 trademark owners and professionals from over 190 countries, including 103 members from Australia, the International Trademark Association (INTA) greatly appreciates the opportunity to deliver testimony on the House of Representatives Standing Committee on Health and Ageing Inquiry into the Tobacco Plain Packaging Bill 2011. If the Committee holds a public hearing on this subject, INTA welcomes the opportunity to provide oral testimony consistent with this written submission.

INTA commends the efforts of the Australian Government to address public health concerns. Although we take no position on the particular health issues that are the focus of this legislation, we strongly believe that the 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 draft plain packaging bills, INTA raised issues with respect to:

- certain provisions of the Constitution of Australia;
- an increased risk of counterfeiting;
- use requirements under Australia's Trade Marks Act;
- the effect of the Bill on distinctiveness and registration of a trademark and;
- potential treaty violations of the TRIPS Agreement and Paris Convention, which will place Australia outside the international trademark harmonization process.

The following comments by INTA address these specific issues.

Constitution of Australia

INTA is concerned that the implementation of these provisions may give rise to difficulty in terms of section 51(xxxi) of the 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 should be given to whether trademark owners must 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 international 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. 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. This not only cheats the government out of tax revenue and impairs the goodwill of trademark owners, but also may lead to inferior products being made available in the Australian market.

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 28 of the Bill states:

(3) *To avoid doubt, for the purposes of sections 38 and 84A of the Trade Marks Act 1995, and regulations 17A.27 and 17A.42A of the Trade Marks Regulations 1995:*

- (a) the operation of this Act; or*
- (b) the circumstance that a person is prevented, by or under this Act, from using a trade mark on or in relation to the retail packaging of tobacco products, or on tobacco products; are not circumstances that make it reasonable or appropriate:*
- (c) not to register the trade mark; or*
- (d) to revoke the acceptance of an application for registration of the trade mark; or*
- (e) to register the trade mark subject to conditions or limitations; or*
- (f) to revoke the registration of the trade mark.*

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 about the effect of the Bill on trademarks, 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, or 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 28 of the Bill, it is inappropriate not to register a trademark due to non-use under this act. This is inconsistent with the terms of Sections 41(5) and 41(6) of the Trade Marks Act, 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 to which Australia acceded in 1925.

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. 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

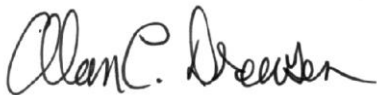
and information afforded to consumers by distinctive marks. A fundamental tenet of trademark law worldwide is that consumers are able to distinguish between goods and identify the origins of goods by the trademark. For these reasons, the special requirements proposed do not have the necessary level of 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 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 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.

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, External Relations Manager for Asia-Pacific, at shays@inta.org.

Sincerely,

A handwritten signature in black ink that reads "Alan C. Drewsen". The signature is written in a cursive, flowing style.

Alan C. Drewsen
Executive Director