

March 30th, 2011

Ref: INTA's comments on Public Consultation No. 117 of December 27 2010 -Articles 4, 5, 9, 13 and 29- on amendments to Law No 335/2003 on Law of Packaging and the Marketing of Smoking Products derived from Tobacco

The International Trademark Association (INTA) would like to submit for ANVISA's consideration, our concerns with respect to resolution proposed open to Public Consultation No. 117, of December 27 2010, on proposals to amend Law No. 335/2003 on the Law of Packing and the Marketing of Smoking Products derived from tobacco.

INTA is a 133 year-old membership association, representing the interest of trademark owners throughout the world, with over 5,800 members in 190 countries. INTA is dedicated to the support and advancement of trademarks and related intellectual property rights as elements of fair and effective national and international commerce. As an accredited, non-governmental observer to the World Intellectual Property Office (WIPO), INTA also advises governments around the world on issues relating to trademark law and practice. Currently our Association has some 72 member companies and law firms in Brazil (www.inta.org)

Our comments are limited to the potential implications for consumers and trademarks owners of tobacco companies that would result from the obligations contained in Articles 4, 5, 9, 13 and 29 proposed in resolution of Public Consultation No 117, if the resolution is passed by ANVISA, it will severely affect valid intellectual property rights and will constitute an ominous precedent for other industries as discussed below.

INTA's comments refer to:

- Article 4, 5 and 9: additional health warning covering 50% or more of front panel of the packs
- Article 13: the use of the term "brand name" as opposed to "trademark"
- Article 29: the ban on display of cigarettes at the point of sale

General Comments on Importance of Trademarks

Trademarks and trade dress play an integral role in facilitating consumer choice by distinguishing products from an enterprise which consumers know and trust from those of unknown or unsatisfactory origin. Measures in Article 4, 5, 9, 13 and 29 will make it more difficult for consumers to identify the brand of their choice at the point of sale. This inability to recognize a trademark on a product will lead to consumer confusion and, therefore, diminish the goodwill acquired in a trademark through investment and effort over time.

Trademarks also indicate the source of goods and services and assure consumers the quality of the products they are purchasing. This fundamental function cannot be effectively fulfilled if trademarks and other brand elements are barely noticeable to consumers when they are selecting the product.

INTA also believes that measures that force tobacco brands towards commoditizing the market increase the risk of counterfeit and illegal tobacco products. This fact has already been recognized by law enforcement authorities in Canada:

"... As big tobacco company brands have been denormalized, there has been growth in demand for "no-name" cigarettes and discount brands. This burgeoning demand has been filled by the contraband market through baggies and Native brands of cigarettes."¹

¹ The Ontario Tobacco Research Unit *Anti-Contraband Policy Measures: Evidence for Better Practice* June 2009 p. 113.

Text of the Regulation	Proposal (Inclusion, exclusion or new text)
<p>Article 4. Primary, hard or soft packs for tobacco-based products which emit smoke, except cigar and cigarillo packaging, shall carry the following printed messages: (...)</p> <p>IV - The health warning "SMOKING IS A DISEASE. YOU ARE ENTITLED TO TREATMENT -- HEALTH HELPLINE 0800 61 1997", written legibly and in a prominent position in bold, white letters using the Arial font, on a black background pursuant to the model attached and available on the Anvisa portal, covering at least 50% of the bottom half of the other largest side visible to the public, covering the entire width of this side, without altering the message's visual configuration and any overlapping items are prohibited.</p>	<p>INTA does not support this proposal and therefore asks for the exclusion of Article 4</p>
<p>INTA's Comments of Article 4 , 5, 9 on additional health warning covering 50% or more of front panel of the pack</p> <p>The proposals provides for the health warning to cover 50% of the front side of the pack, while the back and lateral sides of the product packaging are already required to display health warning 100% of their surfaces.</p> <p><u>Arguments:</u></p> <p>While health warning play an important role in educating and trying to persuade consumers to avoid or abandon the habit of smoking, there remains debate as to whether placing such warnings on the front of cigarette packages is more effective than placement on the side or back of the pack. However, it is certain that extending health warnings to the front of the packaging will disrupt the source identifying function of the brand owner's trademark in the marketplace. The reduced capacity of retailers and consumers to identify the products in the market will lead to increased costs in the choice-making process. Moreover, the reduced area available for trademarks will increase the risk of consumer confusion with third party products.</p> <p>Another concern relates to the "informal" products available in the market, which are known for not following health and tax regulations, and thus operate under lower standards and costs, thus unfairly and illegally lowering the price and increasing the attractiveness of these products with lower income consumers.</p> <p><u>Violation of Treaty Obligations and Brazilian National Law</u></p> <p>It is INTA's view that the effects of proposed Articles amount to expropriation of tobacco companies' rights, which are protected under Brazil's national laws and by legal provisions under international treaties of which Brazil is a signatory. Furthermore, these provisions are inconsistent with existing Brazilian laws, the World Trade Organization's Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS) and the Paris Convention for the Protection of Industrial Property.</p> <p>Specifically, TRIPS (Art 15) and the Paris Convention (Art. 7) provide that the nature of goods to which a trademark is applied shall in no case form an obstacle to the registration of the trademark. It is a well-established principle that unless the proprietor is free to use a mark for whatever product he wants, irrespective of its kind, a fundamental aspect of trademark right is endangered. The trademark owner</p>	

has both the right and an obligation to use its registered mark, since its non-use can lead to the cancellation of the corresponding registration. Moreover, the diminished ability of use of registered marks is especially harmful to well-known marks, which have acquired a higher standard of protection as a result of its extended use, fame and reputation.

Art. 5 and 129 of Brazil's Industrial Property Law stipulate that trademarks are equivalent to tangible property and their registration grants a property right and an exclusive right of use to its owner. The right to property is also expressly protected in Brazil's Federal Constitution.

Furthermore, the measures proposed conflict with Article 20 of TRIPS, which states that "*the 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...*"(emphasis added)

There are those that argue that Article 8 (1) of TRIPS² exempts public health measures from a Member State's obligations under TRIPS. Such interpretation is not correct. On the contrary, Article 8 provides some guidance, allowing measures which are "*necessary to protect public health... Provided that such measures are consistent with the provisions of TRIPS.* A Member State seeking to adopt a public health measure under this provision must prove that such measure is *necessary* to protect public health and must be *consistent* with TRIPS. Necessity means: (i) there has to be a causal link to the protection of public health; and (ii) the measure has a minimal impact on intellectual property rights. The Brazilian authorities have not demonstrated that a large health warning label or plain packaging for cigarettes would increase the awareness of consumers of the health risks in order to qualify under the exceptions of Article 8. Furthermore, there is no evidence showing that the proposed measures would reduce the incidence of new smokers or impact consumption patterns. Therefore, plain packaging or excessively large health warning labels cannot be considered as a "*necessary*" measure under this definition and thus are inconsistent with TRIPS.

Finally, the limitation placed in terms of space available for the layout and display of legitimate trademarks and trade dress on packaging would violate Article *10bis* of the Paris Convention and its provisions against unfair competition a risk not only to trademark owners but also to consumers. This sort of measure makes it more difficult to fight against serious threats such as counterfeit products and smuggling.

The impossibility of recognition of a trademark makes both counterfeiting and smuggling more attractive. This presents the risk of an uncontrolled market for illegal products, potentially undermining the intention of this regulation to reduce smoking and instead leading to a prevalence of cheaper counterfeited or smuggled items. Counterfeited cigarettes are often of substandard quality and do not comply with government and industry standards. They also are often transported and stored in unhygienic conditions.

Conclusion

INTA respectfully urges ANVISA to not adopt the proposed measure based on the highly negative effects it would have: (1) on consumers and trademark owners in the tobacco industry, and possibly across other sectors of consumer goods; (2) on enforcement efforts against informal, counterfeited and black market tobacco products; and (3) on Brazil's international treaty obligations. Our Association is confident that the authorities of Brazil will be able to identify alternative policy options that can achieve the country's important public health objectives without undermining intellectual property rights.

² "*Members may...adopt measures necessary to protect public health and nutrition, and to promote public interest in sectors of vital importance to their socio-economic and technological development, provided that such measures are consistent with the provisions of this Agreement.*"

Text of the Regulation	Proposal (Inclusion, exclusion or new text)
<p>Article 5. Secondary, hard or soft packs for tobacco-based products which emit smoke, except cigar and cigarillo packaging, shall carry the following printed messages:</p> <p>I - The standard health warning, containing one of the phrases set forth in item 1, article 4, preceded by the phrase "The Ministry of Health Warns", used on a simultaneous or rotating basis, printed legibly, in high resolution and in a prominent position. The warning shall cover 60% of one of the largest sides visible to the public, without altering the proportions between its respective elements, or its graphic parameters.</p> <p>IV - The health warning "SMOKING IS A DISEASE. YOU ARE ENTITLED TO TREATMENT -- HEALTH HELPLINE 0800 61 1997", written legibly and in a prominent position in bold, white letters using the Arial font, on a black background pursuant to the model attached and available on the Anvisa portal, covering at least 50% of one of the largest sides visible to the public, without altering the proportions of the elements in this message or its graphic parameters.</p>	<p>INTA does not support this proposal and therefore asks for the exclusion of Article 5</p>
<p>Argument:</p> <p>See INTA's comments in Article 4 above.</p>	

Text of the Regulation	Proposal (Inclusion, exclusion or new text)
<p>Article 9. Primary packaging for cigars containing more than one product unit and secondary packaging for cigars and cigarillos shall carry the following printed messages:</p> <p>IV - The health warning "SMOKING IS A DISEASE. YOU ARE ENTITLED TO TREATMENT -- HEALTH HELPLINE 0800 61 1997", written legibly and in a prominent position</p>	<p>INTA does not support this proposal and therefore asks for the exclusion of items IV in Article 9</p>

<p>in bold, white letters using the Arial font, on a black background pursuant to the model attached and available on the Anvisa portal, covering at least 50% of the other largest side visible to the public, without altering the message’s visual configuration.</p>	
<p>Argument:</p> <p>See INTA’s comments in Article 4 above.</p>	

Text of the Regulation	Proposal (Inclusion, exclusion or new text)
<p>Article 13. Only the following information, in addition to the health warnings and messages required by this Resolution, shall be allowed on primary, secondary and tertiary tobacco-based product packaging:</p> <p>I – Brand name</p>	<p>New text:</p> <p>INTA does not support this proposal and therefore asks for item I to read as follows:</p> <p>“I – Trademarks”</p>
<p>INTA’s comments on Article 13: the use of the term “brand name” as opposed to “trademark”</p> <p><u>Arguments:</u></p> <p>Since trademarks are distinctive signs formed by words, designs and colors, or a combination thereof, the term “brand name” in Article 13 does not meet with the definition and with the role and function of a “trademark” in facilitating consumer choice by distinguishing products from an enterprise which consumers know and trust from those of unknown or unsatisfactory origin. This fundamental function cannot be effectively fulfilled if trademarks are stripped of any of these elements and become less noticeable to consumers when they are selecting the product.</p> <p>Since Article 13 relates exclusively to the information that should appear in the product packaging, and since trademarks are much more mere information, the term brand name being proposed in Article 13 may be mistakenly interpreted to prohibit the use of any elements other than the word in a trademark. This scenario is referred to internationally as “plain packaging.” INTA understands this is not ANVISA’s intention, as it would stand in clear violation of Article 5, item XXIX of the Brazilian Federal Constitution dealing with trademark rights.</p> <p><u>Conclusion:</u></p> <p>Therefore, in order to avoid misleading interpretations, the term “brand name” proposed in Article 13 should be replaced with “trademark” which is the term used under the Brazilian Industrial Property Law and in the Paris Convention and the TRIPS Agreement which Brazil is part of.</p>	

Text of the Regulation	Proposal (Inclusion, exclusion or new text)
<p>Article 29. The display of tobacco-based product packaging and products at the point-of-sale is prohibited.</p>	<p>INTA does not support this proposal and therefore asks for the exclusion of article 29.</p>
<p>INTA's Comments on Article 29: the ban on display of cigarettes at the point of sale</p> <p><u>Argument:</u></p> <p>INTA's arguments relating to Articles 4, 5, and 9 equally apply to Article 29 whereby INTA emphasizes the importance of trademarks and trade dress in facilitating consumer choice by allowing them to distinguish products from an enterprise which they know and trust from those of unknown or unsatisfactory origin. Article 29 undermines this function and purpose.</p> <p>Arguments on violation of treaty obligation and Brazilian National Law also apply to Article 29</p> <p><u>Conclusion:</u></p> <p>INTA does not support this proposal and respectfully urges ANVISA to exclude Article 29.</p>	