

October 5, 2012

Hon. Tony Ryall
Minister of Health
Ministry of Health PO Box 5013
Wellington 6145
New Zealand

Re: Plain Packaging Consultation

Dear Minister Ryall:

As a global organization with over 5,900 trademark owners and law firms, including 23 members from New Zealand, the International Trademark Association (INTA) is pleased to have the opportunity to deliver comments to the Ministry of Health regarding the possibility of introducing plain packaging for tobacco products in New Zealand. INTA commends the efforts of the New Zealand Government to address public health concerns. Although we take no position on the particular health issues that are the focus of this proposal, we strongly believe that implementing the proposal for tobacco plain packaging is a serious encroachment on the rights of trademark owners and frustrates the ability of trademarks to function properly as a part of fair and effective commerce.

INTA is a not-for-profit membership association of trademark owners and professional firms from more than 190 countries. The association was founded in 1878 and is dedicated to the support and advancement of trademarks and related intellectual property as elements of fair and effective national and international commerce. INTA members share common interests in the protection of trademarks and the development of trademark law, and they rely on INTA to represent and advocate for those interests with national governments and international organizations. INTA's diverse membership includes multinational corporations spanning diverse industries, including the tobacco industry, intellectual property and general practice law firms, trademark agent firms, service firms, trademark consultants, and academic institutions. Further information about INTA can be found at www.inta.org.

The following comments raise the concerns of our membership regarding proposals for tobacco plain packaging in New Zealand.

I. The Legal Implications of Tobacco Plain Packaging

Currently, trademarks and related intellectual property rights are protected under legislation in New Zealand. Under section 10 of the *Trade Marks Act 2002*, the owner of a registered trademark has, in particular, the exclusive right to use the registered trademark.¹

¹ **10 Rights that attach to registered trade marks**

(1) The owner of a registered trade mark has, in relation to all or any of the goods or services in respect of which the trade mark is registered, the rights and remedies provided by this Act and, in particular, has the exclusive right to—

Introduction of plain packaging of tobacco would provide a specific prohibition on trademarks that appear on retail packaging. We submit that the introduction of plain packaging regulations would violate minimum obligations for the protection of intellectual property rights for tobacco manufacturers who are the legitimate owners of the registered trademarks.

Trademarks are registered for particular goods and services. Registered trademarks also take various forms, notably simple word marks, stylized words and logos. Less commonly, there are also registrations for colors and shapes.

Simply put, plain packaging legislation would deprive the trademark owner of its exclusive rights to use and authorize others to use all but simple word marks. Given the existing ban on advertising tobacco products in New Zealand, the trademark owner would have effectively no right to use its stylized word, logo, color or shape trademarks. Because use is required to maintain a trademark, the proposed legislation effectively forces the trademark owner to relinquish its rights in a very valuable asset.

The New Zealand consultation document attempts to side-step this issue by suggesting that companies “will be free to use logos and other representations of their trademarks in other ways, e.g. corporate documents, as long as these are not advertising or promoting tobacco products.” This is an illusory benefit. As mentioned, trademarks are registered for particular goods or services. Their key role is to indicate trade origin of the goods or services. Corporate documents do not achieve that goal.

For registered trademarks that are not simple word marks, it is therefore unrealistic to claim that the owner would not be deprived of its exclusive right to use the mark if plain packaging is legislated. For simple word marks, plain packaging would also at best, heavily curtail the owner’s exclusive right to use the mark and at worst, eliminate it all together.

Trademarks, including logos, owned by tobacco companies are valuable assets. The ability to use the trademark as an indicator of origin for the goods and services for which it is registered is the key attribute of the trademark asset. Legislating to deny the right to use a valuable mark is akin to seizing that asset. It would wipe millions of dollars of value from those assets, and over time leave them worth little or nothing.

II. Violation of New Zealand Trademark Laws

Provisions which prohibit tobacco companies from using their trademarks would cause them to be vulnerable to the revocation of their registrations for non-use. Under section 66 of the *Trade Marks Act 2002*, the registration of a trademark may be revoked on the ground that the trademark had not been genuinely used in the course of trade in New Zealand by the owner for a continuous period of three years.² The introduction of plain packaging will prohibit owners of trademarks from using their trademarks

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- (a) use the registered trade mark; and
 - (b) authorise other persons to use the registered trade mark; and
 - (c) assign or transmit the registered trade mark (either in connection with the goodwill of a business or not); and
 - (d) give valid receipts for any consideration for any such assignment or transmission.

(2) For the purposes of subsection (1)(a), a member of a collective association that owns a collective trade mark that is registered in respect of goods or services—

- (a) has, along with the collective association, the exclusive right to use the trade mark in respect of those goods or services; and
- (b) does not have the right to exclude any other members from using the trade mark in respect of goods produced or services provided by the other members.

² **Grounds for revoking registration of trade mark**

(1) The registration of a trade mark may be revoked on any of the following grounds:

freely, and owners may not be able to demonstrate their use of the trademarks. Subsequently, these trademark registrations could be revoked for non-use and the rights granted by registration will be lost.

III. New Zealand's Bill of Rights

When legislation is introduced into New Zealand's Parliament, it is the Attorney-General's responsibility to bring to Parliament's attention any provision that appears to be inconsistent with rights and freedoms contained in the New Zealand Bill of Rights Act 1990 (NZBORA).

Section 21 of the NZBORA addresses protection from unreasonable seizure of property as a fundamental democratic and civil right: "Everyone has the right to be secure against unreasonable search or seizure, whether of the person, property, or correspondence or otherwise."

A person includes a corporate entity – Interpretation Act 1999, section 29. Property includes trademarks and other intellectual property. As explained above, plain packaging amounts to seizure of registered and unregistered trademarks, in the sense of denial of lawful access to, use and enforcement of those assets.

Section 14 of the NZBORA also provides for freedom of expression as a fundamental democratic and civil right: "Everyone has the right to freedom of expression, including the right to seek, receive and impart information and opinions of any kind in any form."

Commercial expression falls under the ambit of freedom of expression. It covers both commercial information and commercial opinion, such as branding, packaging and promotion.

Plain packaging is on its face therefore inconsistent with both section 14 and section 21 of NZBORA. Those rights are not absolute, but section 5 of NZBORA states they are only subject to such limitations as can be demonstrably justified in a free and democratic society. The general assertions in the consultation paper do not, in our estimation, satisfy the NZBORA's requirement to *demonstrate* that the drastic measure of plain packaging is justified in a free and democratic society. The Attorney-General must determine whether the limitations imposed by plain packaging legislation impair freedom of expression and protection against seizure of property, no more than is reasonably necessary (*R v Hansen* [2007] 3 NZLR 1).

What amounts to little more than hope or speculation that a goal might be achieved is not, in our submission, sufficient. There needs to be verifiable evidence of the linkage between the use of tobacco industry trademarks and packaging, and the social objective of the proposed legislation.

IV. New Zealand's International Treaty Obligations

The adoption of plain packaging legislation would be a violation of New Zealand's obligations under international treaties such as the World Trade Organization's Agreement on Trade-related Aspects of Intellectual Property Rights (TRIPS). Under Article 15(4) of TRIPS, it is stipulated that "the nature of the goods or services to which a trademark is applied shall in no case form an obstacle to registration of the

(a) that at no time during a continuous period of 3 years or more was the trade mark put to genuine use in the course of trade in New Zealand, by the owner for the time being, in relation to goods or services in respect of which it is registered:
(b) [Repealed]
(c) ...

trademark.” Furthermore, Article 20 provides that “the use of a trademark...shall not be unjustifiably encumbered by special requirements, such as...use in the manner detrimental to its capability to distinguish goods and services.”

For these reasons, and as experienced by Australia, proposed plain packaging legislation would put New Zealand at risk of being challenged before the World Trade Organization. It could also potentially put New Zealand at risk of challenges under regional or bilateral trade and investment agreements.

V. Increased Risk of Counterfeit Goods

The introduction of standardized tobacco packaging and the limitation on the use of trademarks on tobacco packaging will increase the sale counterfeit goods. When different brands of tobacco products are harder to distinguish from each other, counterfeit, smuggled or illicitly traded goods will become more difficult to identify, both by enforcement agencies entrusted to protect consumers against such unlawful goods and the consumers themselves who will be confused as to what is genuine and what is not. It follows that the illegal tobacco market, particularly in the Asia-Pacific region, with its quality and ingredient dangers to public health, is likely to grow further when all tobacco packs look the same and are easier to copy and more difficult to distinguish. Consequently, this will likely damage the goodwill of legitimate trademark owners. While identification codes and anti-counterfeiting markings are already in use, those steps will not negate the heightened risk of counterfeit products entering the market in New Zealand.

VI. Conclusion

In light of the foregoing, INTA submits that the imposition of mandatory plain packaging for tobacco products puts New Zealand at risk of depriving trademark owners of valuable property, which is inconsistent with its trademark legislation, its Bill of Rights safeguards, and its international obligations. It would also risk counter-productive results such as increasing the dangerous trade in counterfeit tobacco products.

We envisage that if plain packaging of tobacco products is to be implemented in New Zealand, a regime will be created in which a large number of very valuable registered (and unregistered) trademarks could not be used. Deprivation of owners' rights in this way would set an unsound legislative precedent that is inconsistent with national and international trademark laws, and democratic freedoms.

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,



Gregg Marrazzo
President