



Etienne Sanz de Acedo
Chief Executive Officer

655 Third Avenue, 10th Floor, New York, NY 10017-5646, USA
t: +1-212-642-1776 | f: +1-212-768-7796
inta.org | esanzdeacedo@inta.org

April 11, 2017

The Honorable Kelvin Kenneth Ogilvie
Chair
Standing Committee on Social Affairs, Science and Technology
The Senate of Canada
Ottawa, Ontario
Canada
K1A 0A4

Via email: soci@sen.parl.gc.ca

Re: Bill S-5, *An Act to amend the Tobacco Act and the Non-smokers' Health Act and to make consequential amendments to other Acts*

Dear Mr. Chairman:

The International Trademark Association (INTA) wishes to provide its views on proposed plain packaging requirements for tobacco products as found in Bill S-5, *An Act to amend the Tobacco Act and Non-smokers' Health Act and to make consequential amendments to other Acts*.

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 has 317 corporate and law firm members 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 find a balanced approach to protecting health while simultaneously recognizing the importance of brand elements to both consumers and brand owners.

INTA did submit general comments on plain packaging in its letter of April 18, 2016 addressed to Health Canada as part of a cost-benefit analysis on plain packaging requirements for tobacco products. Since then, we have noted the inclusion in the Bill of Section 53 to include provisions that specifically impact the *Trade-marks Act*. Despite those provisions, INTA remains concerned about the impact of restrictions on the use of trademarks and other brand elements.

The Importance of 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.

INTA reiterates comments previously made regarding the impact of restrictions on branding elements, which include words, designs, distinguishing guises, logos, graphic arrangements and slogans, all of which are now used on tobacco products. Many tobacco-related trademarks are some of the oldest and well-known marks in Canada, and both words and design/package trade dress features are key to consumer identification of their brands of choice. In addition, such brands are very valuable assets, supported by considerable investments in clearance, registration and maintenance of such brands.

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 more important in decision-making.

Bill S-5: Restrictions on Marking, Brand Elements and Use of Trademarks

The intersection between trademarks and tobacco and vaping products is found in a number of sections of the Bill that prohibit the use of markings and brand elements on both tobacco and vaping products (hereinafter, “tobacco products” includes both tobacco and vaping products). For example, Section 8 of Bill S-5 proposes to add the following provision to the *Tobacco Act*:

5.3 (1) No person shall manufacture or sell a tobacco product that displays a marking, unless the marking is authorized by the regulations.

Similarly, Section 25 of the Bill amends Section 19 of the *Tobacco Act* to provide that no person shall:

“promote” a tobacco product or a tobacco product-related brand element, including by means of the packaging, except as authorized by the provisions of this Act or of the regulations”.

Other sections, (e.g. amended Section 22(1)) refer to unauthorized use of “a tobacco product-related brand element” in advertising. Section 23(1) applies to “packaging” and “sale” contrary to the provisions of the Act and of the regulations. Restrictions on the use of brand elements in “sponsorship promotion” are found in Section 24, and those relating to names of facilities in Section 25.

The full impact of the amendments on tobacco products will not be known until the regulations are published. INTA will at that time comment on the regulations, but it is assumed that the intent,

in accordance with previous announcements and commentary from the government, is to introduce “plain packaging” for tobacco products, and to limit the use of markings and brand elements now associated with tobacco products.

It is extremely important to note that trademarks are protected in Canada by use and registration under the *Trade-marks Act*. Registration is critical in securing for brand owners the exclusive right in Canada to use their marks for their goods, and providing a means to prevent unauthorized use and depreciation of goodwill. Trademarks (including designs and trade dress) must be continuously used in order to maintain their validity. Brand owners of tobacco products are justifiably concerned, therefore, that any prohibitions on their ability to use their trademarks would result in these trademarks being removed from the trademark register for non-use.

INTA is appreciative of the inclusion of Section 53 of Bill S-5, which adds various provisions to the *Tobacco Act*, including Section 42.3. This latter provision states:

(1) Despite the Trade-marks Act, the registration of a trade-mark shall not be held invalid on the basis of paragraph 18(1)(b) or (c) of that Act as a result of compliance with this Act.

(2) For greater certainty, the absence of use of a trademark as a result of compliance with this Act constitutes special circumstances that excuse the absence of use for the purposes of the Trade-marks Act.

Nonetheless, INTA has several comments on this amendment:

1. INTA notes that this provision does not protect trademarks (including words, designs and features of trade dress) that are not registered at the time the amendments would take place from being deemed to be abandoned for non-use arising from compliance with the Bill.
2. Potential limitations on the ability of tobacco brand owners to enforce their trademarks through passing off and infringement proceedings are also not addressed. Passing off requires a trademark owner to establish a reputation in a trademark, which is typically done by showing evidence of widespread use of a trademark. Further, Section 19 of the *Trade-marks Act* provides the owner of a trademark registration with the exclusive right to use the trademark in association with the goods/services covered by the registration throughout Canada, and Section 20 of the *Trade-marks Act* provides the owner of a trademark registration with a right to sue for infringement of a confusing mark. The *Trade-marks Act* includes factors for determination of confusion, including the length of time of use and the extent to which a trademark has become known. Currently, tobacco brand owners could rely upon these rights in a dispute not only with other tobacco product manufacturers (including counterfeiters), but also those who use tobacco marks in a way that suggests licensing or approval, or that depreciates goodwill. Proposed Section 42.3 of the *Tobacco Act* does not address the potential inability of owners of registrations for tobacco trademarks to enforce such trademarks through proceedings for passing off or infringement, and INTA submits that further amendments are necessary to ensure that tobacco trademark registrations do not become “empty” rights.

3. The amendment could create a special category of marks that could remain on the Register, without use, which could complicate valid cancellation proceedings for non-use.

Other Considerations

INTA has set out the concerns of brand owners in several submissions on plain packaging for tobacco products in other jurisdictions. Concerns which are reiterated here pertain to:

- Increased risk of tobacco product counterfeits; and
- Compliance with international treaties.

Plain Packaging Impact on Consumer Protection and 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 tobacco products makes such elements even more important to ensure consumer certainty. Similarly, retailers who are also 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 therefore 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 Requirements Violate Canada's International Treaty Obligations

Canada is a signatory to the *Agreement on Trade-Related Aspects of Intellectual Property Rights* (TRIPS). TRIPS expressly recognizes that intellectual property rights are private rights (see: Preamble and Part 1, Article 1(2)). Thus, any interference by a member of the World Trade Organization 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 is 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 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 before the World Trade Organization, and a decision is still pending. It is suggested that consideration of plain packaging regulation in Canada should 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.

Additional Issues Impacting Trademark Owners in Bill S-5

1. The definition of "brand elements" can include trade names of companies. The source of the goods should always be clear to consumers. It should be clarified that tradenames that indicate the identity of the source of the goods should be permitted.
2. Prohibitions regarding publishing in "foreign media" (Section 31(3)) could prevent Canadian companies from conducting lawful advertising in other countries, a limitation that would appear to be beyond the scope of lawful Canadian legislation.
3. The wording of Section 24(2), which states that "no person shall use a tobacco product-related brand element or the name of a tobacco product manufacturer in the promotional material related to a person, entity, activity or permanent facility" could capture lawful use by a person of lawfully-owned marks unrelated to tobacco products that are incidentally the same as those owned by a tobacco products manufacturer. It is noted that Section 24(1), also dealing with promotion, uses the phrase "... in a manner likely to create an association between the brand element or the name, person, entity, activity, or permanent facility". Section 24(2) does not include such wording, and it is not clear that the "likely to create an association" language would apply. That restriction should also be added to Section 24(2).
4. The wording of Section 25, regarding use of a tobacco product-related brand element or the name of a tobacco product manufacture on a permanent facility if that facility is "used for a sports or cultural event or activity" would not only capture "incidental" and non-

tobacco product brands that are also the same as those of a tobacco product, but would also impact the use of a trade name or trademark on tobacco manufacturer company-owned premises that offer sports and cultural “facilities” to their employees. Regarding incidental use of marks that are the same as a tobacco mark, but not in any way related to a mark used on tobacco or owned by a tobacco manufacturer, the same concept of “in a manner likely to create an association” should also be added to this provision.

Conclusion

As can be seen from the above discussion, there are a number of serious concerns for Canada’s brand owners with regards to plain packaging requirements and the provisions of Bill S-5. INTA urges the Committee to consider a more balanced approach in ameliorating public health policy issues so that Canada’s strong consumer and intellectually property right protections are not diminished.

INTA would welcome the opportunity to answer any questions you and the Committee may have.

Sincerely,

A handwritten signature in blue ink, appearing to read "Etienne Sanz de Acedo". The signature is stylized and cursive.

Etienne Sanz de Acedo
Chief Executive Officer
International Trademark Association