

31 July 2018

**Re: Comments and Recommendations on the South African Control of Tobacco Products and Electronic Delivery Systems Bill**

Dear Madam/Sir,

Founded in 1878, INTA is the world's oldest and largest brand owners association. With a membership of over 7,200 companies, INTA represents over 31,000 trademark professionals in diverse capacities: multinational corporations, businesses of all sizes, law firms and other professionals, academic institutions, and not-for-profit organizations from 190 countries.

The mission of INTA is to encourage and support best practices and excellence in the field of trademarks and intellectual property, and protection of rights for brand owners and consumers, as well as foster economic growth and innovation through awareness of the importance and development of brands.

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. To achieve this goal, INTA recently unveiled its new Strategic Plan. The 2018-2021 Strategic plan is articulated around the following areas namely: 1) promote the value of trademarks and brands; 2) reinforce consumer trust; and 3) embrace innovation and change.

**Summary Remarks**

Plain Packaging of tobacco products as introduced by Australia in order to pursue public health objectives is spreading to jurisdictions in Europe and other continents, as several states are considering similar measures while have enacted and implemented legislation, e.g. Canada and Norway, respectively. The question, however, is whether such measures are effective in proportion to the potential to incentivize criminal behavior (e.g. increased counterfeits), cause economic harm (e.g. loss of jobs) and impose negative effects on innovation. We therefore would

respectfully like to provide some points for your consideration before Plain Packaging legislation is introduced in Parliament.

## **Specific Observations**

### **1- Increase in Counterfeiting**

The idea of plain packaging contemplates that there should be no use of packaging as to design/colors or patterns and there would only be plain package along with warning and brand name written on it. Evidence has shown that plain packs are being counterfeited in jurisdictions with plain packaging.<sup>1</sup> This would make it easier for counterfeiters to copy the packaging, hence reducing the trademark holder's ability to bring legal action against counterfeiters.

A devastating consequence would be to ultimately expose the general consumers to low quality and hazardous tobacco/cigarettes. There are studies which show that after the introduction of plain packaging in Australia, the black market of counterfeiters has increased<sup>2</sup>. This results in the revenue on the part of government decreasing due to such unaccountable black economy. Another nefarious result of plain packaging is that the trade in counterfeit and illicit tobacco has been linked to financing criminal networks in terrorism.<sup>3</sup>

INTA's research released in 2017 on the economic impact of counterfeiting and piracy shows that counterfeiting imposes, "private losses on intellectual property owners and wider social costs."<sup>4</sup> Negative economy-wide effects can occur on trade, foreign investment, employment, innovation, the environment, tax revenues and government expenditures. "Policy decisions and investments to reduce the incidence of counterfeiting and piracy can therefore be seen as valuable extension of broader reform measures that are taken to stimulate economic growth." Displaced economic activity is forecasted to be USD 1.2 trillion by 2022.<sup>5</sup> Economic concerns specific to South Africa are discussed below.

---

<sup>1</sup> <https://www.securindustry.com/fake-cigarettes-in-plain-packaging-fund-in-uk-/s111/a6186/#.W0QBRNUzaM9>

<sup>2</sup> KPMG, Illicit tobacco in Australia(2017), Available at <https://home.kpmg.com/content/dam/kpmg/uk/pdf/2017/04/Australia-illicit-tobacco-Report-2016.pdf>

<sup>3</sup> <https://www.frontpagemag.com/fpm/263713/terror-financing-and-black-market-cigarette-trade-eliot-bakker> and <https://www.straitstimes.com/opinion/going-up-in-smoke-terrorist-financing-and-contraband-cigarettes>

<sup>4</sup> <https://www.inta.org/Communications/Pages/Impact-Studies.aspx>

<sup>5</sup> *ibid*

## **2- No Evidence on Effectiveness**

The Surveys and Studies conducted do not show the effectiveness of the restrictions, as the smoking population in Australia has not reduced. The household consumption of the tobacco has not changed<sup>6</sup>. So clearly there is lack of evidence to show that plain packaging actually impacts the tobacco consumption. Furthermore, there is little evidence of proper research being conducted in South Africa (with the socio-economic impact assessment (SEIA) being criticized for its lack of neutrality) and so it appears that the proposed legislation, based on foreign models, has merely been contextualized for the South African market.

## **3- Difficulty in Brand Identification/Differentiation**

As the plain packaging envisages that there shall be no use of colors, designs, patterns or marks on the package, and the package shall be plain along with brand name written on it that too in specified font and style, this makes the brand differentiation as well as identification difficult. The distinctiveness of rival marks would suffer and the very cornerstone of South Africa Trade Marks Act, 1993 of brand/source identification would be defeated. The knock-on effect of this is that new entrants into the market will have a difficult time building up brand recognition since their products cannot be marketed to, or seen by, consumers.

## **4- Forced to use Altered Trademark**

Plain Packaging mandates the layout of package to be plain along with brand name to be written in a specific font as well as size, in order to make it look less attractive. But, such measures impede the rights available to the trademark holder provided by the 1993 Act as they cannot use the trademark the way they have rightful use of as the space available on the package is reduced as well as branding is prohibited. Trademark holders are rather forced to use their mark in an altered form.

---

<sup>6</sup> Sinclair Davidson & Ashton de Silva, The Plain Truth about Plain Packaging: An Econometric Analysis of the Australian 2011 Tobacco Plain Packaging Act , 21 Agenda: A Journal of Policy Analysis and Reform 27-43 (2014), Available at <http://press-files.anu.edu.au/downloads/press/p302941/pdf/The-Plain-Truth-about-Plain-Packaging-An-Econometric-Analysis-of-the-Australian-2011-Tobacco-Plain-Packaging-Act.pdf>

## **5- Risk of Revocation by 3rd Party**

As the idea of Plain Packaging restricts the use of trademark/ trade dress as it was registered, the non-use of such a registered trademark/ trade dress on the part of trademark holder can increase the risk of revocation by a third party as per section 27 of the 1993 Act.

## **6- Violation of TRIPS Agreement & International Treaties**

South Africa being signatory to TRIPS (Trade Related-Aspects of Intellectual Property Rights) agreement has to follow the provisions with respect to Intellectual Property mentioned therein. Measures such as Plain Packaging are directly going against the spirit of TRIPS and Paris Convention, as Article 15 of TRIPS & Article 7 of Paris Convention requires that nature of goods shall in no case form an obstacle to the registration of Trademark. The recent WTO decision will likely go to appeal.

## **7- Right to claim Passing off/Infringement taken away**

It is obvious that plain packaging would render all the cigarette packs look the same, which would definitely create confusion on the part of public to identify and differentiate as discussed earlier. This measure has drastically affected the right of the trademark holder to enforce their trademarks through passing off and infringement. In order to claim passing off, the claimant has to show continuous use for establishing the reputation and his/her exclusive right to the trademark. The plain packaging bill is silent on the rights of the holder with respect to infringement and passing off.

## **8- Affordability/ Reduced Price of Cigarettes**

As the Plain-Packaging requires no use of fancy colors/designs on the packaging; it would make the manufacturers compete only on prices rather than product/quality differentiation. As there is no need to invest on packaging/branding etc., the input cost of cigarettes which in turn would reduce the overall price making it cheaper and affordable to the consumers specially the young consumers. A study conducted in South Africa found out that the smokers approved plain packaged cigarettes more than the branded one as they got value for their money<sup>7</sup>.

---

<sup>7</sup> Plain tobacco packaging makes smoking cheaper – study, Available on <https://www.fin24.com/Companies/Industrial/plain-tobacco-packaging-makes-smoking-cheaper-study-20160608>

## 9- Jeopardizing Employment

The affected industry in South Africa employs more than 100,000 people including formal and informal sector<sup>8</sup>. Numerous other jobs related to packaging and branding may be lost outside the core industry. Needless to say any copying what Australia did without thorough consideration of the impact would adversely affect the employment of such huge numbers.

## 10- Less Invasive Methods

The government should opt for less invasive instruments like educational campaigns, warning signs, etc. rather than imposing the more disruptive and invasive requirement of plain packaging. Furthermore, in addition to violate the right to property of the proprietor, plain packaging requirements are also very less effective. INTA makes no comment on issues relating to public health or measures thereof. Policy choices will necessarily weigh the benefits against costs. In light of the preceding evidence of the negative effects of plain packaging on intellectual property and the economy, INTA emphasizes that “Governments must balance their public health policy objectives with the equally important goals of protecting intellectual property rights which includes trademarks.”<sup>9</sup>

### Recommendations:

- An objective SEIA should be conducted, taking into account both the formal and informal sectors of the South African market, and fully addressing the negative consequences of the Bill.
- Brand owners should be entitled to retain their distinctive colors, designs, patterns and marks on packaging, in conjunction with graphic health warnings – taking into account the cultural sensitivities of South Africa.
- Emphasis should be placed on anti-smoking campaigns, particularly those targeted towards the youth.

---

<sup>8</sup> A PROFILE OF THE SOUTH AFRICAN TOBACCO MARKET VALUE CHAIN, Available on <http://www.nda.agric.za/doiDev/sideMenu/Marketing/Annual%20Publications/Commodity%20Profiles/INDUSTRIAL%20PRODUCTS/TOBACCO%20MARKET%20VALUE%20CHAIN%20PROFILE%202011-12.pdf>

<sup>9</sup><https://www.inta.org/Advocacy/Pages/RestrictionsonTrademarkUsethroughPlainandStandardizedProductPackaging.aspx>

In conclusion, INTA would welcome further discussion with the South African authorities as they consider the Control of Tobacco Products and Electronic Delivery Systems bill.

If you need further explanation or information, please contact INTA's Representative for Africa, the Middle East and Intergovernmental Institutions, Mr. Tat-Tienne Louembe [TLouembe@inta.org](mailto:TLouembe@inta.org).

A handwritten signature in black ink, appearing to read 'Etienne Sanz de Acedo', written in a cursive style.

Etienne Sanz de Acedo  
Chief Executive Officer  
International Trademark Association (INTA)