



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

Mr. Gan Kim Yong
Ministry of Health
16 College Road
College of Medicine Building
Singapore 169854

Attention: Director, Epidemiology and Disease Control Division

March 15, 2018

RE: INTA Submission to Public Consultation on Proposal to Introduce Standardised Packaging of Tobacco Products in Singapore

Dear Minister Gan Kim Yong,

The International Trademark Association (INTA) is pleased to submit these comments to the Proposal to Introduce Standardised Packaging of Tobacco Products in Singapore.

The International Trademark Association (INTA) is a global organization of 7,200 trademark owners and professionals from over 191 countries, including 64 members in Singapore and 289 members in the ASEAN region. INTA is a not-for-profit membership association dedicated to supporting consumer confidence, economic growth and innovation. Founded in 1878, INTA leads in global trademark research, policy development, and education and training. More details about INTA and its roles are available at www.inta.org.

INTA commends efforts to address public health concerns in Singapore. Although we take no position on the health issues that are the focus of tobacco standardized or plain packaging, we strongly believe that the introduction of standardized packaging in Singapore would frustrate the ability of trademarks to serve their function and would also amount to a serious encroachment on the rights of trademark owners. Specifically, we are concerned that standardized packaging would not only reduce the space available for trademarks and branding on cigarette packs and retail containers of cigarettes and other tobacco products, but would also make it mandatory for trademark owners to use their trademarks in an altered form in violation of Singapore's international obligations. We also believe that introducing standardized packaging as proposed by the Consultation Paper will undermine the economic value of trademarks and intellectual property as an essential part of Singapore's economy and future growth.

INTA's views are based on a 2015 Board Resolution.¹ The primary concerns are that standardized packaging laws violate international and national law, and expropriate valuable trademark rights.

¹<https://www.inta.org/Advocacy/Pages/RestrictionsonTrademarkUsethroughPlainandStandardizedProductPackaging.aspx>

INTA recommends that governments should use less drastic alternatives to address health and safety goals, such as public educational campaigns, as opposed to disturbing the well-established areas of intellectual property law. The primary function of a trademark is to allow a producer to communicate with a consumer, and any proposed legislation should allow all elements of a trademark, not simply the word mark, to continue functioning in this regard.

Standardized or plain packaging of tobacco products is part of a larger global and cross-industry phenomenon called “brand restriction” – which includes any number of proscriptions of trademarks and brands (e.g. removal of branding elements, removal of brand variants, inclusion of other messaging, forced use of trademarks on other products, etc). Tobacco is not the only industry being targeted by brand restriction policy tools, and the slippery slope to impact other industries is occurring globally. Additionally, these policy tools are increasingly being used outside the areas of public health for other more politically motivated purposes, eroding both consumer protections and the economic wealth of a nation created by trademarks.

Importance of Trademarks to Singapore’s Economy

Trademarks create tremendous economic value for the Singaporean economy. Research published by INTA indicates that trademark-intensive industries in Singapore contribute to 50% of GDP, 60% of exports and 29% to overall employment.² Trademarks bring direct value to companies in Singapore, in particular to small-to-medium-size enterprises (SMEs) – where trademarks are often the first and most valuable intellectual property asset.

Singapore has laid out a vision to become an IP Hub, fostering the creation, trade and facilitation of this valuable component of modern businesses. The Singapore government’s IP Hub Masterplan states the importance of innovation and IP to the future of Singapore’s economy.³ The IP Hub Masterplan Update notes the increasing value of IP and other intangible assets to the value of leading companies, citing research that shows 84% of the value of Fortune 500 companies can be attributed to intangible assets (including trademarks and brands) as opposed to tangible assets.⁴ Research shows that Singapore companies lag behind this average, having lower ratios of intangible assets to tangible assets compared to these leading companies, and companies in neighboring countries such as Malaysia.⁵ Therefore, intellectual property is an essential component of Singapore’s economy future growth.

Stripping the value of intellectual property from one industry should be considered in relation to the potential value it puts at risk in other industries. As stated above, other industries are facing the threat of brand restriction, and not always on public health grounds. Deploying these policy tools will set precedence to destroy the economic value of trademarks in other industries.

Undermining Global Economic Value of IP and Endangering Global Trade

² <https://www.inta.org/communications/pages/impact-studies.aspx>

³ https://www.ipos.gov.sg/docs/default-source/about-ipos-doc/full-report_update-to-ip-hub-master-plan_final.pdf

⁴ <http://www.oceantomo.com/blog/2015/03-05-ocean-tomo-2015-intangible-asset-market-value/>

⁵ <http://brandfinance.com/knowledge-centre/reports/brand-finance-singapore-2017/>

The economic stakes at risk by brand restrictions are enormous. Pharmaceuticals, health products, alcohol, food and beverage are being targeted by brand restriction policies around the world.^{6 7} As an example of the economic stakes at risk, if one of these sectors suffered from standardized packing as proposed by Singapore globally, the economic loss could reach USD 293 billion, according to research by Brand Finance released last year.⁸ This is nearly the size of Singapore's entire annual GDP.

While public health may be the rationale for some brand restrictions, this is increasingly not the case globally. For example, recent proposals in Hungary are utilizing brand restrictions not on grounds of public health, but for political reasons to remove "symbols of communism" which would lead to the absurd result of removing branding elements from certain iconic brands in an arbitrary manner.⁹

Brand restrictions also can be used to undermine global trade. Following Australia's implementation of brand restrictions on tobacco, Indonesia threatened retaliation by applying brand restrictions on products from important industries from Australia, namely wine and spirits.¹⁰ Given the deteriorating global trade climate, it is imperative that Singapore not set a precedent regionally and implement laws that justify the use of these policy tools which can undermine global trade.

Observations on the Public Consultation Paper

INTA makes the following observations regarding specific items in the Consultation Paper which focuses on a subset of brand restrictions, i.e. standardized and plain packaging.

The Consultation Paper disregards the significant impact of standardized packaging on intellectual property. In three brief sentences, the Consultation Paper makes a mere assertion as to "ensuring" compliance with international obligations. As this submission demonstrates, intellectual property is not merely related to international obligations, but is an essential part of the Singaporean economy, future growth and the existing global trading order. The neglect given this subject is cause for great concern, considering that at its core, standardized packaging is about the removal of intellectual property from legally traded goods in the market.

The Consultation Paper states that "Tobacco product packaging is a form of advertising." In effect, this statement also means that "trademarks are a form of advertising" in so much as they are being targeted for removal from tobacco products. Singapore's Trade Marks Act Section 27(4)(e) and 5(b) reflect the basic principle that signs (or trademarks) can be used "in advertising," but that does not make them advertisements in themselves. In the same way, signs can be used on invoices, price lists, etc. but that does not make them invoices or price lists. Trademarks and advertisements are two separate business and legal concepts, and the Consultation Paper erroneously conflates them.

⁶ <https://www.nytimes.com/2018/02/07/health/obesity-chile-sugar-regulations.html>

⁷ <https://www.lexology.com/library/detail.aspx?g=edf78a98-57d9-45b4-88c4-f6fa2e1ebb85>

⁸ <http://brandfinance.com/knowledge-centre/reports/brand-finance-plain-packaging-2017/>

⁹ <https://www.reuters.com/article/us-hungary-heineken-redstar/red-star-over-hungary-heineken-may-see-trademark-banned-idUSKBN16R17K>

¹⁰ <https://www.thedrinksbusiness.com/2014/05/indonesia-threatens-plain-packaging-on-alcohol-labels/>

The Consultation Paper states that there is a “Global movement towards standardized packaging.” Plain packaging remains a divergent and activist movement, with only 3 countries having fully enacted such proposals, accounting for a mere 8% of global GDP, or 2% of the global population.

The global trend is currently to maintain existing intellectual property rights and prevent the proliferation of brand restrictions. Currently federal courts in the United States¹¹ have rejected brand restrictions on constitutional grounds, Hong Kong has rejected plain packaging in favor of increased graphic health warnings¹², Denmark¹³ and Switzerland¹⁴ have rejected plain packaging, and the countries in complaint at the WTO have protested standardized packaging. Taken together these countries represent over 26% of global GDP and are three times larger by population than countries enacting plain packaging.

The vast majority of the world has not considered standardized packaging regulations, and these figures demonstrate that standardized packaging as considered by Singapore is a radical departure from current global practices and should not be considered “normal.”

The Consultation Paper does not fully consider the commonsense reasons why standardized packaging will benefit the trade in counterfeit products. By making packaging simple and uniform, the currently complex techniques of packaging will be cheaper to produce, lowering the barriers of entry for criminals to enter this market, while at the same time increasing profit margins for these actors. Such basic economic principles should be considered seriously.

Trademarks Support Consumer Confidence

Trademarks and trade dress (i.e. the packaging which can be a registered trademark) play an integral role in facilitating consumer choice by distinguishing products from an enterprise that consumers know and trust, from those of unknown or unsatisfactory origin. Standardized packaging will thus make it more difficult for consumers to identify the brand of their choice. This inability to recognize a trademark on a product will lead to consumer confusion, and impair and diminish the goodwill acquired in the trademark through investment and effort over time.

Because standardized packaging would significantly restrict the pack space available for branding, trademark owners would be forced to give up distinctive elements of their trademarks due to space limitations. Thus, trademark owners would either be prevented from using their trademarks entirely or be forced to alter the distinctive character of their trademarks. Such forced alterations would lead to the revocation of those trademarks, or otherwise require trademark owners to apply for registration of the altered marks, incurring costs and other uncertainties.

It is important to remember that trademark rights are a vital aspect of the global economy, and play a significant role in free trade and competition. By forcing trademark owners to give up or alter the distinctive character of their trademarks, plain packaging not only sets a dangerous

¹¹ https://www.gpo.gov/fdsys/pkg/USCOURTS-dcd-1_11-cv-01482/content-detail.html

¹² <http://www.scmp.com/news/hong-kong/health-environment/article/2057078/hong-kong-press-ahead-cigarette-packaging-reform>

¹³ www.ft.dk/samling/20161/spoergsmaal/s56/index.htm#tale224

¹⁴ <https://www.parlament.ch/fr/ratsbetrieb/suche-curia-vista/geschaeft?AffairId=20143993>

legislative precedent for other industries, but also undermines Singapore's intellectual property protection system as a whole and sends a negative signal to the foreign investment community.

Plain Packaging Conflicts with Singapore Law

By preventing the use of trademarks or forcing trademark owners to alter the distinctive character of the trademark from their form as registered in order to use them within the limited pack space, plain packaging puts these trademarks at risk for revocation. This is of particular concern for trademarks that protect the get up/trade dress of goods in Singapore.

The proposed restricted pack space would prevent a trademark owner from using, if at all, such trademarks as they have been registered should there be insufficient pack space available. Under section 22(1) of the Trade Marks Act, a registration for a trademark may be subject to revocation by a third party if the trademark has not been genuinely and continuously used for at least five years. In this instance, use of a trademark in a form differing in elements which alters its distinctive character from the form in which it was registered is not considered use under section 22(1). Standardized packaging would thus prevent trademark owners from using these trademarks, violating a basic principle of trademark law, and placing them at risk of being revoked for non-use.

It is recommended to include a provision in the Trade Marks Act to allow trademark rights for trade dress/get up that trademark owners used to have from being challenged for non-use. In Australia, trademark owners can file defensive trademarks which do not allow the marks to be challenged for non-use. In Singapore, a similar approach is recommended.

Standardized Packaging Conflicts with Bilateral Investment Treaty Obligations

Singapore has entered into numerous bilateral investment treaties (BIT) with other countries, imposing an obligation on Singapore to create favorable conditions for private investment in Singapore by nationals and companies of the other contracting states.

Mandating imported tobacco products to adopt standardized packaging will effectively prohibit such foreign trademark owners and investors from using the intellectual property on or in relation to its products and packaging. The extinguishment of such use represents a failure by Singapore to accord fair and equitable treatment, as well as to afford protection to, foreign investments, as required under these BITs.

Standardized Packaging Conflicts with International Treaty Obligations

In addition to violating Singapore's obligations under the various BITs, plain packaging is also inconsistent with 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.

Specifically, the proposed amendment conflicts 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)

Additionally, Article 15 of TRIPS and Article 7 of the Paris Convention 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 registration confers upon the trademark owner an exclusive right to use the trademark for whatever product he wants, irrespective of its kind. In preventing trademark owners from using their trademarks in relation to tobacco products, plain packaging denies trademark owners a fundamental aspect of registration, effectively creating an obstacle to the registration of trademarks under Article 15 of TRIPS and Article 7 of the Paris Convention.

Although Article 8(1) of TRIPS suggests that public health measures are justifiable encumbrances to the use of a trademark under Article 20 of TRIPS, such measures must nevertheless be “*necessary to protect public health*” and be “*consistent with the provisions of [TRIPS]*.” MOH has yet to demonstrate that the adoption of standardized packaging for tobacco products will benefit public health beyond very equivocal evidence, let alone that they are **necessary** to protect public health. MOH has also not shown that there are no less restrictive alternative measures that would achieve the same objective.

Furthermore, the prohibition of the use of complete and legitimate trademarks and trade dress on packaging would violate Article 10*bis* of the Paris Convention and its provisions against unfair competition, a risk not only to trademark owners but also to consumers.

Regionally, Singapore is committed to “recognize and respect the protection and enforcement of intellectual property rights in each Member State” pursuant to Article 2.4 of the ASEAN Framework Agreement on Intellectual Property Cooperation (IP Framework Agreement). Article 2.2 of the IP Framework Agreement also imposes an obligation on Singapore to implement intra-ASEAN intellectual property arrangements in a manner that is in line with the objectives, principles, and norms contained in TRIPS. Therefore, and for the reasons stated above, plain packaging would not only violate TRIPS, but the IP Framework Agreement as well.

Other Consequences

The removal of distinctive elements from trademarks, as well as the limited space for the application of security and authentication features, would also make both counterfeiting and smuggling more attractive. This would increase the risk of an uncontrolled market for illegal products, potentially undermining the purpose and intention of implementing standardized packaging, and instead lead to a prevalence of cheaper counterfeit or smuggled items.

Restricting trademark owners from using their original trademarks on their products also limits their business opportunities. For example, the prospect of co-branding becomes almost inconceivable due to the limited ability to create a brand and trade dress that is recognizable and attributable to both entities. Implementing such restrictive provisions contributes to an environment which is hostile to manufacturers and can lead to situations of a lost business opportunity or “loss of chance” as some jurisdictions call it.

Finally, Singapore has certain obligations under the WTO Agreement on Technical Barriers to Trade (TBT Agreement). Article 2.9 of the TBT Agreement imposes an obligation on WTO

Member States to notify other Member States of a proposed technical regulation that is not based on relevant international standards and would have a significant effect on trade. Plain packaging is not based on an international standard and would significantly impact trade by requiring substantial alterations to the current packaging of imported tobacco products. Singapore would thus have to comply with Article 2.9 of the TBT Agreement prior to implementing plain packaging.

Conclusion

In light of the foregoing, INTA submits that the standardized packaging proposals would deprive trademark owners of valuable property and violate Singapore's trademark legislation and international obligations. We strongly urge the government of Singapore to consider the highly negative effects standardized packaging would have on consumers and trademark owners, and on the strategically important area of IP and the future of Singapore's economy. INTA is confident that the Singapore authorities will be able to identify alternative and less restrictive policy options that can achieve the country's important public health objectives without undermining well-established intellectual property rights.

This submission was drafted with the assistance of the Asia-Pacific Subcommittee of the Legislation and Regulation Committee. If you have any questions or concerns, please contact INTA's Asia-Pacific Chief Representative, Seth Hays at shays@inta.org.

Sincerely,



Etienne Sanz de Acedo
Chief Executive Officer
International Trademark Association