

Plain and Standardized Packaging Division
Tobacco Products Regulatory Office
Tobacco Control Directorate
Healthy Environments and Consumer Safety Branch
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**Re: Canada Gazette, Part 1 June 23, 2018
Tobacco Products Regulations (Plain and Standardized Appearance)
Comments from the International Trademark Association**

Dear Sirs/Madams,

The International Trademark Association (INTA) wishes to provide comments on the Tobacco Products Regulations (Plain and Standardized Appearance) published for comment on June 23, 2018 in the Canada Gazette, Part 1.

INTA is a membership association of more than 7,200 trademark owners and professionals from more than 191 countries. INTA has 243 members in Canada, as well as numerous international members who do business in, or represent companies who do business in Canada. INTA total membership collectively contribute almost US \$12 trillion to global GDP annually. The Association's member organizations represent some 31,000 trademark professionals and include brand owners from major corporations as well as small- and medium-sized enterprises, law firms and nonprofits. INTA undertakes advocacy work throughout the world to advance trademarks and related rights, and offers educational programs and informational and legal resources of global interest. INTA's mission is dedicated to supporting trademarks and related intellectual property (IP) to foster consumer trust, economic growth, and innovation.

INTA has a long-standing interest in plain packaging laws, given the importance of trademarks as key indicators of consumer choice and genuine merchandise. INTA's position on trademark use and display is consistent regardless of the subject matter of the regulation – regulations should strike a balance that respect Government goals – in this case, reducing inducements to smoking, while at the same time ensuring that policies reflect the importance of brands in commerce – to consumers and retailers, in commercial transactions and also as a means of reducing the sale, and associated risks, of counterfeit merchandise.

As discussed further below, there are reasonable grounds to believe that plain packaging for tobacco will introduce the potential for marketplace confusion and mistake in brand selection, and increase the potential for more counterfeit tobacco products since it will become much easier to make “plain packaging” counterfeits. While manufacturers may wish to be able to add counterfeit detection tools to permit them to distinguish between original and fake merchandise, not only do the Regulations significantly impact the ability to do so, but also, consumers may still be confused. Since counterfeit tobacco products have the potential for even more serious health risks, consumer health and safety may be compromised by plain packaging.

Tobacco is not unique in being a product about which there are valid reasons to stress health and safety concerns. The Government has regulated products ranging from baby strollers to automobiles in the

interest of consumer safety, and had been able to do so without restricting brand elements. A combination of product regulation, education and prominent health and safety warnings has been used effectively, and INTA supports such initiatives.

The Importance of Trademarks and other branding indicia

Trademarks can take many forms: words – including slogans, designs, shapes of goods and containers, and sounds. “Brand elements” is a broader term, and includes trademarks, as well as additional features of trade dress, such as packaging size and shape, package layout and colours, size, font and colouring of words, etc. Companies use brand elements to identify their goods, distinguish them from others and convey a message about quality. Significant time and cost is invested in clearance and protection of brand elements, as well as registration, which in Canada is handled by the Canadian Intellectual Property Office (CIPO). Currently, there are thousands of active trademark applications and registrations for tobacco, cigarettes and other related products on the CIPO trademark database that cover words, designs and other brand elements – and hundreds, if not thousands, may become unenforceable or at risk of being cancelled as a result of compliance with the Act and Regulations.

Consumers, including retail and wholesale purchasers as well as retail customers, use brand elements as a key tool to assist marketplace activity. Brand elements also play a significant role in deterring and supervising counterfeit activity, since copying detailed package design with many trade dress features is harder than simple plain packages.

The unique way in which tobacco products are sold in Canada increases the importance of brand elements as indicia used by consumers. In many Canadian jurisdictions, tobacco products are stored behind counters, and cannot be accessed by customers until sold. Products are chosen by pointing to the preferred tobacco brand. The visual clues provided by brand elements become essential to the purchase experience – simplifying the transaction for both retail employees and customers, a factor that is key in Canada’s multicultural and multilingual environment.

INTA’s Position on Plain Packaging

INTA has already submitted comments regarding Bill S-5, the *Tobacco and Vaping Products Act* (Act), on several occasions (for example, our letters of April 18, 2016 and April 11, 2017). We have also had the opportunity to meet with Health Canada and parliamentarians to express the views of trademark owners and those who protect their rights. Having now had the opportunity to study the Regulations, INTA remains concerned regarding several main points, summarized as follows:

- Counterfeiting is already a known problem for tobacco products. Plain packaging will make it both easier to copy known brands, and more difficult for consumers and regulators, as well as the makers of genuine brands, to identify counterfeits.
- It is not clear that plain packaging laws will comply with Canada’s treaty obligations, including the Paris Convention for the Protection of Industrial Property (Paris Convention) and the North American Free Trade Agreement. The Paris Convention contains reciprocal provisions that require Canada to permit registration of marks that are protected in other member countries. Currently, Canada’s trademark laws require “use” for registration. If a mark may not be used due to restrictions under the Act and Regulations, it cannot be registered in Canada, unless used and registered abroad – but most foreign countries do not require “use” for registration. Tobacco use restrictions will result in registration being denied in Canada for marks that may be registered in other countries.
- The Act and Regulations will result in non-use of hundreds, if not more, registered trademarks becoming vulnerable to expungement. We appreciate that the Act was amended to include s. 53, designed to reduce the risk of an expungement proceeding based on abandonment for reasons related to compliance with tobacco plain packaging laws. However, the “saving” provision in s. 53 does not clearly protect against summary non-use proceedings pursuant to s. 45 of the *Trademarks Act*, which is by far the most common way to expunge a registered mark for non-use. If s.53 was intended to include s. 45 (which is ambiguous), then s. 53 has a potential consequence of creating a special category of marks that can’t be cancelled, compromising the usefulness of the Register of Trademarks as an indicator of marketplace use.

- The provisions of s. 53 of the Act do not address potential lost rights in unregistered marks.
- Section 53 also does not address the impact of non-use in enforcement of both registered and unregistered marks. Use is generally required to enforce rights, and tobacco brand owners will have more limited rights against infringers and counterfeiters selling tobacco products, as well as other goods, such as T-shirts, caps, mugs and other common branded merchandise.

INTA's position on the above has not changed. Having now reviewed the Regulations, INTA has the following additional comments – both general and specific:

General comments on the Regulations

1. By significantly limiting the display of many brand elements already in use (many of which have been used for decades) that are not only familiar to both retail employees and customers, but also used in product selection, the limitations will impede lawful marketplace transactions. For those lawfully purchasing tobacco, packaging features such as colour and package design are used to indicate and/or finalize purchasing selections by retail customers and retail employees. While no doubt many customers will know brand “names” or word marks, many others may not, or may not easily be able to pronounce or otherwise indicate brand names to retail employees without the benefit of additional visual elements on tobacco packaging. In addition, a single brand name, displayed in small type, in upper/lower case letters, will be very difficult for most consumers to see under the normal conditions of sale (from the other side of the counter). The rules will result in inconvenience, confusion and mistake in the marketplace.
2. The research noted in the Regulatory Impact Analysis Statement comments that specific shades of colours may connote an attempt to target specific markets – and that certain colours may connote goods of lower quality. Rather than restrict packaging colours to a uniform shade, and require a colour that conveys, perhaps unintentionally, a lowering of quality of all products, INTA recommends that the Regulations address research-based guidelines that address specific colours and backgrounds that might improperly appeal to tobacco users.
3. The Act and Regulations will have the impact of prejudicing lawful entrants to the market. Existing brand owners will be able to rely on consumer memory of their brand names – built up with years of use of a combination of word marks and additional brand elements. Authorized new entrants will be significantly disadvantaged with brand restrictions, particularly since the regulated marketplace does not permit other steps to convey branding and product information to consumers.

Specific comments on the Regulations

4. Section 14(1) prohibits package features that change the package appearance or surface area. Unlike the recently published Cannabis Regulations, there is no exception for anti-counterfeiting measures. INTA recommends that such an exception be added.
5. Sections 26 and 36(2) prevents the display of brand names that “evoke a colour” or “include the name of a filter technology”. The phrase “evoke a colour” is ambiguous. Many trademarks commonly use a colour as an indication of quality, often to distinguish between products from the same source. For example, the word GOLD is often used to identify products from of the highest grade, and there are already dozens of tobacco marks that include the word GOLD. The language of s. 26 puts use of such marks, which convey useful information about brand selection, at risk. Similarly, there are words that may convey some message about filtering that have become a recognized part of the brand name. To eliminate that element from the brand name will result not only in potential lost rights in the brand name, but also potential customer confusion.

6. Section. 28(2) permits only the first letter of each word in a brand name to be in a capital. Such display renders the mark a “design”, vs. a plain word mark, under Canadian trademark practice. In addition to our comments, above, about visibility of brand names under normal conditions of sale, this requirement changes has implications for reliance upon rights in existing trademark registrations. Any brand owner who may have registered the brand name in all lower case letters, for example, would no longer be using its registered mark if it appears with a capital letter. The *Trademarks Act* does not permit a brand owner to change a registered mark, eg. to replace the font style of letters, and this rule could adversely impact reliance upon many registered marks. Since the Regulations already mandate the size and spacing of brand names, INTA recommends that this requirement be eliminated, and that brand owners be able to display their brands in any choice of upper and lower case letters.

Summary

In summary, INTA does not take issue with the Government’s goal of reducing smoking. However, the Government has not made tobacco products unlawful – instead, it has chosen to focus on plain packaging as a way to lower the appeal of tobacco. In so doing, INTA submits it will adversely impact tobacco brand owners, consumers, retailers and regulators who police for counterfeits. Tobacco brand owners will not only lose rights in marks, many of which have been used for decades, but also suffer impediments to enforcement against unauthorized users. Members of the public lawfully selling and buying tobacco who use brand elements such as colour and package design to select a specific product will also be inconvenienced, and potentially confused. Brand owners and regulators will find it difficult to identify counterfeits, especially if the draft Regulations are not amended to include exceptions for tools used to identify and deter counterfeiting.

Conclusion

INTA appreciates the opportunity to provide comments on the draft Regulations and your consideration of its positions.

This document was drafted by the INTA Legislation and Regulation Committee Canada Subcommittee. Please do not hesitate to contact Senior Director, Government Relations Deborah Cohn at dcohn@inta.org if you have any questions or concerns.