



December 10, 2010

Honorable Roberto Alejos
President, Congress of Guatemala

9th Avenue 9 44 Zona 1
Guatemala City, Guatemala

Dear Congressman Alejos:

The International Trademark Association (INTA) would like to draw to your attention our Association's concerns with respect to Initiative No. 4150 on the Law to Regulate the Packaging and Labeling of Tobacco Products introduced in the Guatemalan Congress on November 26, 2009. The Initiative is now under consideration by the Congressional Health Committee and by the Economic Affairs & International Trade Committee.

INTA is a 133 year-old membership association, representing the interest of trademark owners throughout the world, with over 5,800 members in 190 countries. 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. As an accredited, non-governmental observer to the World Intellectual Property Office (WIPO), INTA also advises governments around the world on issues relating to trademark law and practice. Currently our Association has 27 member companies and law firms in Guatemala (www.inta.org)

Our comments are limited to the potential implications for consumers and trademarks owners of tobacco companies resulting from the obligations contained in Initiative 4150, which if passed by the Guatemalan Congress, will severely affect their rights and will constitute a negative precedent for other industries.

Importance of Trademarks

Trademarks and trade dress play an integral role in facilitating consumer choice by distinguishing products from an enterprise which consumers know and trust from those of unknown or unsatisfactory origin. Measures in Initiative 4150 will make it more difficult for

consumers to identify the brand of their choice at the point of sale. This inability to recognize a trademark on a product will lead to consumer confusion and, therefore, diminish the goodwill acquired in a trademark through investment and effort over time.

Trademarks also indicate the source of goods and services and assure consumers the quality of the products they are purchasing. This fundamental function cannot be effectively fulfilled if trademarks and other brand elements are barely noticeable to consumers when they are selecting the product.

INTA also believes that measures that strip tobacco brands towards commoditizing the market increase the risk of counterfeit and illegal tobacco products. This fact has already been recognized by law enforcement authorities in Canada:

"... As big tobacco company brands have been denormalized, there has been growth in demand for "no-name" cigarettes and discount brands. This burgeoning demand has been filled by the contraband market through baggies and Native brands of cigarettes."¹

Article 5 and 7 of Initiative 4150 provide for the health warnings sign to cover at least 80% of a cigarette pack. It also allows the Ministry of Health to ban the use of logos, colors or branding elements on the pack other than the brand name in a standard color and typeface. A health warning that covers 80% of a cigarette pack will only leave 20% of the surface available for the brands. As a consequence, tobacco companies will be forced to give up elements of those brands, which have already been recognized as distinctive signs, and as such, registered and protected under trademark law. Furthermore, Initiative 4150 will pose limitations on numerous registered trademarks by limiting display to only the brand name in a standard font and color.

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. In stripping tobacco companies of their trademark rights, Initiative 4150 not only sets a dangerous legislative precedent for other industries but also undermines Guatemala's intellectual property protection system as a whole and sends a negative signal to the foreign investment community.

Violation of Treaty Obligations and Guatemalan National Law

It is INTA's view that the effects of Bill 4150 amount to expropriation of tobacco companies' rights, protected under Guatemala's national laws and by legal provisions under international treaties of which Guatemala is a signatory. Furthermore, our Association has reviewed the above provisions and considers them to be inconsistent with existing Guatemalan laws, 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.

¹ The Ontario Tobacco Research Unit *Anti-Contraband Policy Measures: Evidence for Better Practice* June 2009 p. 113.

Specifically, Guatemala's Intellectual Property Law (Art. 16), TRIPS (Art 15) and the Paris Convention (Art. 7) all 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 unless the proprietor is free to use a mark for whatever product he wants, irrespective of its kind, a fundamental aspect of trademark right is endangered.

Art. 17 of Guatemala's Intellectual Property Law stipulates that trademarks are equivalent to tangible property and their registration grants a property right and an exclusive right of use to its owner. The right to property is also expressly protected in Guatemala's Constitution (Art. 41).

Furthermore, the measures proposed conflict 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)

There are those that argue that Article 8 (1) of TRIPS² exempts public health measures from a Member State's obligations under TRIPS. Such interpretation is not correct. On the contrary, Article 8 provides some guidance, allowing measures which are "*necessary to protect public health.... Provided that such measures are consistent with the provisions of TRIPS.* A Member State seeking to adopt a public health measure under this provision must prove that such measure is *necessary* to protect public health and must be consistent with TRIPs. Necessity means: (i) there has to be a causal link to the protection of public health; and (ii) the measure has a minimal impact on intellectual property rights. The Guatemalan authorities have not demonstrated that a large health warning label or plain packaging for cigarettes would increase the awareness of consumers of the health risks in order to qualify under the exceptions of Article 8. Furthermore, there is no evidence showing that the proposed measures would reduce the incidence of new smokers or impact consumption patterns. Therefore, plain packaging or excessively large health warning labels cannot be considered as a "*necessary*" measure under this definition and thus are inconsistent with TRIPS.

Finally, the prohibition of legitimate trademarks and trade dress on packaging would violate Article *10bis* of the Paris Convention and its provisions against unfair competition, a risk not only to trademark owners but also to consumers. This sort of measure makes it more difficult to fight against serious threats such as counterfeit products and smuggling.

The impossibility of recognition of a trademark makes both counterfeiting and smuggling more attractive. This presents the risk of an uncontrolled market for illegal products, potentially undermining the intention of this regulation to reduce smoking and instead leading to a prevalence of cheaper counterfeited or smuggled items. Counterfeited cigarettes are often of substandard quality and do not comply with government and industry standards. They are also transported and stored in unhygienic conditions.

² "*Members may...adopt measures necessary to protect public health and nutrition, and to promote public interest in sectors of vital importance to their socio-economic and technological development, provided that such measures are consistent with the provisions of this Agreement.*"

Conclusion

INTA respectfully urges the distinguish Guatemalan Congress to reject the proposed new legislation contained in Initiative 4150 and to consider the highly negative effects it could have on consumers and trademark owners; in the tobacco industry, and possibly across other sectors of consumer goods; on enforcement efforts against counterfeited and black market tobacco products; and on Guatemala's international treaty obligations. Our Association is confident that the authorities of Guatemala will be able to identify alternative policy options that can achieve the country's important public health objectives without undermining intellectual property rights.

INTA would be pleased to respond to any questions you may have on this submission. Should you require any further information, please contact Ms. Laura Cruz at lcruz@inta.org

Sincerely,

A handwritten signature in black ink, appearing to read "Heather Steinmeyer", with a horizontal line extending to the right.

Heather Steinmeyer
President