



International Trademark Association

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Committee Secretary
Senate Standing Committee on Community Affairs
P.O. Box 6100
Parliament House
Canberra ACT 2600
Australia

Dear Sirs:

As a global organization, the International Trademark Association (INTA) is grateful for the opportunity to put forward its comments with respect to the issues raised in the Australian Senate's bill on Plain Tobacco Packaging.

INTA is a not-for-profit membership association of more than 5,600 corporations, law firms and other trademark-related businesses from more than 190 countries throughout the world. INTA is headquartered in New York with offices in Brussels and Shanghai. Its membership crosses all industry lines, including manufacturers and retailers, and is united in the goal of supporting the essential role trademarks play in promoting effective national and international commerce, protecting the interest of consumers, and encouraging free and fair competition.

INTA commends the Australian federal government for its National Health Taskforce discussion paper issued in 2008, which put forth recommendations as to how to address a number of health issues over the next decade. Although INTA takes no position on the health issues themselves, the Association strongly believes that the current Tobacco Bill, introduced into the Australian Senate on August 20, 2009, represents an encroachment on the rights of trademark owners and their ability to properly and lawfully use their trademarks.

The stated object of the Bill is to mandate plain packaging for tobacco products as set out below:

Noting:

*the tobacco industry's use of colour, novelty packaging and other imagery enables it to target particular market segments and convey brand character; and
that colour and imagery are also used to misleadingly convey relative brand strength and quality;*

the object of this Act is to regulate tobacco packaging, in order to:

- (a) reduce initiation of tobacco use, tobacco consumption and quitting relapse;*

- (b) *enhance the effectiveness of package warnings; and*
- (c) *remove the package's ability to mislead and deceive consumers*

The Bill would require cigarette packs to be colored a standard "matt brown" without illustration or decoration and "must not bear any decorative ridges, embossing, bulges or other irregularities". The packaging must not contain any words, trademarks or logos, other than in the bottom of the front of the package in 12 point size "the brand name of the product." On the other side of the packaging, the Bill allows the printing of the name and address and contact phone number of the manufacturer or importer of the package, as the case may be.

INTA is concerned that the implementation of this Bill may give rise to issues with respect to:

- certain provisions of the Australian Constitution;
- an increased risk of counterfeit tobacco products appearing in the Australian market; and
- violation of Australia's international treaty obligations.

The following comments by INTA address these issues in more detail and provide comments on some of the specific provisions within the proposed Bill.

INTA'S GENERAL COMMENTS

USE OF TRADEMARKS

The Trade Marks Act 1995 contemplates the registration of many different types of trademarks, including logo marks, devices, stylized trademarks and non-traditional marks, such as aspects of packaging, colors and even scent.

It is commonplace for manufacturers not only of tobacco related goods, but a wide variety of goods and services to use a range of logos, colors, devices and non-traditional trademarks to distinguish their goods from competing goods. This not only benefits the manufacturer, but importantly enables the consumer to more easily exercise choice and recognize the quality of a product previously purchased. This therefore, assists the consumer to make properly informed decisions about the product that they are purchasing.

Implementation of the Bill would deprive trademarks owners of the exclusive right to use their trademarks as they were intended to be used – as indications of source. The provisions of the Bill may also expose many trademark registrations to vulnerability to removal through non-use. In particular, the Trade Marks Act 1995 grants a trademark owner various exclusive rights in relation to the use of what is defined in section 21 of the Trade Marks Act as personal property. In particular, sections 20 and 22 of the Trade Marks Act provide as follows:

Section 20

(1) *If a trade mark is registered, the registered owner of the trade mark has, subject to this Part, the exclusive rights:*

(a) *to use the trade mark; and*

(b) *to authorise other persons to use the trade mark;*

in relation to the goods and/or services in respect of which the trade mark is registered.

Section 22

(1) *The registered owner of a trade mark may, subject only to any rights appearing in the Register to be vested in another person, deal with the trade mark as its absolute owner and give in good faith discharges for any consideration for that dealing.*

Accordingly, the introduction of legislation mandating plain packaging would substantially reduce a manufacturer's ability to distinguish their goods from other similar goods and in turn make purchasing more difficult for the consumer. In addition, legislating that certain already registered trademarks cannot be used is contrary to the express provision of the Trade Marks Act.

AUSTRALIAN CONSTITUTION

INTA is concerned that the implementation of these provisions may give rise to difficulty in terms of section 51(xxxi) of the Australian Constitution. This section provides that the federal government has the power to acquire property "on just terms." The proposed legislation, which effectively prevents the use of a property right, may constitute an "acquisition," as contemplated by the constitution. Accordingly, consideration must be given to whether trademark owners will be required to be compensated on just terms for that acquisition. It is noted that the quantum of compensation is likely to be the fair market value of the trademarks (*Minister of State for the Army v Danziel* [1944] HCA 4). For one famous tobacco trademark alone the market value has been estimated at over \$40 billion.

INCREASED RISK OF COUNTERFEIT GOODS

Counterfeit tobacco products are prevalent in Australian industry and represent a significant problem. Identifying counterfeit goods will become more difficult in the absence of appropriate marking. This has the potential of increasing the trade in counterfeit goods and will make it easier for counterfeiters to produce cigarette packages. This is not only adverse to the interests of trademark owners, but may lead to poor quality products being available in the Australian market. In other words, the proposed limitation on the use of legitimate trademarks in favor of packaging with small representations of plain standardized word trademarks is likely to increase trade in illegal, counterfeit products.

AUSTRALIAN INTERNATIONAL TREATY OBLIGATIONS

The introduction of plain packaging legislation is potentially in breach of Australia's obligations under International Treaties such as the Paris Convention for the Protection of Industrial Property (Paris Convention) and the Agreement on Trade-Related aspects of Intellectual Property (TRIPS). It is noted that TRIPS is part of the General Agreement on Tariffs and Trade and compliance with TRIPS is a pre-requisite to membership of the World Trade Organization.

Article 15(4) of the TRIPS Agreement expressly provides that:

- "(a) the nature of the goods or services to which a trade mark is applied shall in no case form an obstacle to registration of the trade mark; and*
- (b) the use of a trade mark....shall not be unjustifiably encumbered by special requirements, such as...use in the manner detrimental to its capability to distinguish goods and services." (Article 20)*

It is noted that Article 8 of TRIPS does provide that some measures in the interest of public health may be taken, but only if they are consistent with TRIPS.

Moreover, Article 7 of the Paris Convention states that the nature of the goods under a trademark should not form the basis of an obstacle to the registration of that mark.

Significant work would need to be done to ensure that implementation of legislation requiring plain packaging of tobacco products would not be in breach of Australia's international obligations under these conventions.

SPECIFIC COMMENTS ON THE BILL'S PROVISIONS

Section 3 Object

Regarding: *"...that colour and imagery are also used to misleadingly convey relative brand strength and quality"*

The use of color and imagery on tobacco packaging to re-enforce brand strength and/or the quality of the cigarette product are not inherently misleading if the market is defined as the market for tobacco products. The use of color and imagery within the market for tobacco products seems to be merely for the purpose of facilitating inter-brand competition.

The use of misleading statements and representations on cigarette packaging is already prohibited by sections 52 and 53 of the *Trade Practices Act 1974* (Cth) and equivalent provisions in the *State Fair Trading Acts*.

Regarding *"(c) remove the package's ability to mislead and deceive consumers"*

Phrasing the object of this legislation in terms of diminishing the prospect of consumers being misled or deceived as a result of use of certain branding aspects of cigarette packaging seems inaccurate for the reasons stated above.

Section 55 Requirements for Labelling of Remaining Package Area

Regarding *"(3) the remaining package area must not contain any words, trade marks or logos other than the following information*

- (a) *"On the bottom of the front of the package, in 12 point size - the brand name of the product;"*

On a strict construction of this provision, it appears to only permit the application of one trademark on cigarette packets. Therefore, the use of logos, sub-brands or descriptive qualifiers indicating the relative strength of a product may not be permitted. Logos are a crucial component of brand identification and serve as a strong indicator of source. Logos, sub-brands and descriptive terms indicating type, assist consumers in purchasing the product of choice. This provision should be clarified to contemplate the use of more than "the brand name".

This submission was prepared by INTA with the assistance of its Legislation and Regulation Committee as well as members of INTA's policy staff. We understand that the Australian Senate may hold a hearing regarding the contents of this bill. If so, INTA would be pleased to participate. Should you require further information or wish to invite INTA's oral testimony, please contact INTA staff liaison Mr. Mark Neighbors at mneighbors@inta.org.

Sincerely,



Heather Steinmeyer
President
International Trademark Association