International Trademark Association

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IN THE SUPREME COURT OF INDIA

(CIVIL APPELLATE JURISDICTION)
Civil Appeal No. 8439 of 2018

SPECIAL LEAVE TO APPEAL (CIVIL) NO SLP(C) 37348/2017.

IN THE MATTER OF:

Health for Millions Trust **...PETITIONER**

VERSUS

Union of India & ORS. **...RESPONDENTS**

AND

IN THE MATTER OF: APPLICATION SEEKING INTERVENTION WITH PRAYER TO BE PERMITTED AS AMICUS CURIAE TO MAKE SUBMISSIONS ON QUESTION OF LAW PERTAINING TO THE TRADEMARK RIGHTS OF THE OWNERS OF TOBACCO MANUFACTURERS AND INDIA'S OBLIGATION UNDER INTERNATIONAL INTELLECTUAL PROPERTY TREATIES IN LIGHT OF THE PERCENTAGE OF PRINTING OF HEALTH WARNINGS AS PER THE CIGARETTES AND OTHER TOBACCO PRODUCTS (PACKAGING AND LABELLING)

AMENDMENT RULES, 2014, ARISING FOR ADJUDICATION IN PRESENT PETITION BY INTERNATIONAL TRADEMARK ASSOCIATION (INTA), NEW YORK, USA

The applicant abovenamed respectfully submits as follows:

I. Introduction of the Amicus Curiae

1. The International Trademark Association (INTA), which is located at 675 3rd Ave 3rd floor, New York, NY 10017 USA was founded in 1878 and is a non-profit membership association of trademark owners and professionals dedicated to supporting trademarks and complementary intellectual property rights, in order to foster consumer trust, economic growth, innovation, and committed to building a better society through brands. INTA's members consist of more than 6,500 trademark owners and professionals from more than 185 countries, including India. The Association's member organization represents some 34,000 trademark professionals and include brand owners from major corporations as well as small and medium-sized enterprises, law firms and nonprofit organizations. There are also government agency members as well as individual professor and student members. An important

objective of INTA is to protect the interest of the public and brand owners in the proper use of trademarks. In this regard, INTA strives to advance the development of trademark and related intellectual property throughout the world, based on the global public interest in avoiding deception and confusion.

2. INTA has acted several times in the capacity of amicus curiae before the Supreme Court of India, European Court of Justice (ECJ), the United States of America and several other jurisdictions. INTA has been an official non-governmental observer to the World Intellectual Property Organization (WIPO) since 1979 and actively participates in all trademark-related WIPO proposals. INTA has consequently contributed to WIPO trade-mark initiatives such as the Trademark Law Treaty. INTA also is active in other international arenas including the Asia-Pacific Economic Cooperation Forum (APEC), the Association of Southeast Asian Nations (ASEAN), the European Union and the World Trade Organization (WTO). INTA's membership is varied and extensive representing a cross-section of industries and interests. Therefore, INTA is a balanced and reliable representative body.

II. Interest and Objective of the Amicus Curiae

3. INTA has a particular interest in this case as it has a significant impact on the rights and interests of trademark owners and consumers alike. INTA's international character brings a global approach to the issue at stake in this case, i.e. "*the percentage of health warnings as per the Cigarettes and Other Tobacco Products (Packaging and Labelling) Amendment Rules, 2014 (the "2014 Rules") and its impact on trademark rights"*. INTA adopted a board resolution in 2015 on the issue of plain and highly standardized packaging, stating that *"such measures are detrimental to consumers, trademark owners and competition, and expropriate valuable trademark rights without due process*."

4. INTA asserts that brand restriction measures constitute a direct violation of fundamental rights and national laws, as in this case. INTA has also posited that standardizing the packaging of tobacco products will facilitate unfair trade, such as the spread of counterfeit tobacco products by making them easier to produce and more difficult to detect, thus leading to poorer quality products, all of this in detriment of consumers.

5. Several trademark owners have secured registration of their trademarks in India to carry on business and strive to protect their trademark, market, reputation and goodwill. These trademark owners have made huge investment in India to promote their brands and to prevent unauthorized and unregulated sales. These brand owners shall be directly impacted by adjudication of issue of *"increased percentage of health warning on tobacco products.*" Thus, as a representative body INTA seeks to provide a perspective on the issue of "*increased percentage of health warning or plain packaging on tobacco products"* so as to effectively assist and contribute in advancement of law in the interest of the public at large and that of the right holders in a global economy.

6. The restrictions imposed on the use of trademarks and trade dress by the trademark owners on tobacco products impair the ability of consumers to distinguish between brands and create the likelihood of confusion. Furthermore, these restrictions act as encumbrances which effectively require tobacco manufacturers to cease using most of the trademarks that they have legally registered in the country.

7. INTA has committees and sub-committees of trademark lawyers and practitioners around the world to monitor and suggest cases where any question of law regarding trademarks is to be decided and which could impact the rights of brand owners. One such sub-committee of International Amicus in Asia Pacific region has suggested this case. INTA came to know about the present case from this sub-committee. Considering that tobacco packaging laws is an issue being globally debated in various jurisdictions and involves significant rights of its members, INTA is requesting this Hon'ble Court to be allowed to put forth a perspective based on global research on the issue so as to assist this Hon'ble Court in adjudication of questions of law involved in the present case. INTA prays to be permitted to be heard as amicus in the present case.

III. SUBMISSIONS

8. INTA supports the principle that unreasonable and arbitrary increased percentage of health warning or plain packaging of tobacco products should not be allowed as this violates fundamental rights with a direct and negative impact on consumer rights.

9. In the particular case of the 2014 Rule, fundamental rights of trademark owners, advertising agencies, publicist, media and consumers are violated. This type of regulation tends to encourage unfair trade, such as counterfeiting, which in the particular case of tobacco poses a hazardous health risk to consumers, as uninformed consumers are unable to choose due to the lack of differentiation among products, which in turn fosters unfair competition. A brand owner cannot and should not be deprived of its rights in the brands and consumer cannot and should not be deprived of its rights to be informed and choose products in a competitive market.

10. The primary function of a trademark for goods may be characterized in more than one way. The first and foremost is to indicate the trade origin or source of the goods in relation to which it is used, thus enabling consumers to distinguish the goods of one trader from those of the others. However, a trademark not only serves its purpose of identifying the source, but also serves to assure and guarantee the quality of goods sold under it. If the quality is consistent, the trademark will acquire goodwill. Goodwill thus symbolizes the quality that a trader is able to maintain and is identified with a particular source that goods emanate from. The trademark thus portrays the nature and the quality of the product and over a period of time the mark becomes popular.

A. Violation of Fundamental rights

11. Under India's constitution, laws (including Rules) inconsistent with or in derogation of fundamental rights are void.

12. INTA believes that the provisions contained in the "Rule 2014" are in detriment and violative of the following fundamental rights contained in Article 19 (1) (a) and (g) of the Constitution of India, which states that "*all citizens shall have the right (a) to freedom of speech and expression; (g) … to carry on any occupation, trade or business:*

(2) nothing in sub-clause (a) of clause (1) shall affect the operation of any existing law, or prevent the state from making any law, in so far as such law imposes reasonable restrictions on the exercise of the right conferred by the said sub-clause in the interest of (sovereignty and integrity of India) the security of the state, friendly relations with Foreign States, public order, decency or morality or in relation to contempt of court, defamation or incitement to an offence."…

(6) Nothing in sub-clause (g) of the said clause shall affect the operation of any existing law in so far as it imposes, or prevent the State from making any law imposing, in the interest of the general public, reasonable restrictions on the exercise of the right conferred by the said sub-clause, and, in particular, nothing in the said sub-clause shall affect the operation of any existing law in so far as it relates to, or prevent the State from making any law relating to, (i) the professional or technical qualifications necessary for practicing any profession or carrying on any occupation, trade or business…"

I. Violates freedom of speech and expression.

13. The 2014 Rules by restricting the space in which the mark can be placed on the packaging of cigarettes and other tobacco products, have imposed a restriction on the freedom of speech and expression of brand owners.

14. It is clear that the restriction of space used for displaying the trademark on the packaging of cigarettes and other tobacco products as imposed under this provision does not fall within the ambit of reasonable restrictions as postulated under Article 19(2). Indeed, there is no such restriction imposed by Article 19 on branding of any products including tobacco products.

15. It is respectfully submitted that trademarks are in the nature of private rights, which constitute a part of commercial speech and expression. It is settled law that commercial speech and information is as much protected under Article 19(1)(a) as private speech. A speech though entirely commercial, may be of general public interest. Commercial Speech, particularly trademarks, involve dissemination of information as to who is producing and selling a particular product, at what price, having what quality and characteristics; all of which is essential for consumers to make informed buying choices. To this end, the free flow of trademarks is indispensable for the formation of intelligent consumer opinions.

16. Article 19(1)(a) not only guarantees freedom of speech and expression, it also protects the rights of an individual to listen, read and receive the said speech. So far as the economic needs of a consumer are concerned, their fulfilment has to be guided by the information disseminated through the trademarks. The protection of Article 19(1)(a) is available to the speaker as well as to the recipient of the speech. The recipient of a trademark may be having much deeper interest in the mark than the brand owner who is behind the

publication. The knowledge of the source of goods is as much important to a consumer to make informed and intelligent buying choices.

17. A restriction on speech and expression must serve a substantial interest and must be narrowly drawn. Through the 2014 Rules, the fundamental rights of the trademark owners have not been considered and a drastic, arbitrary and unreasonable restriction on the freedom of speech and expression of brand owners has been imposed. Thus, the 2014 Rules strikes at the heart of the Article 19(1)(a) of the Indian Constitution and does not even fall within the scope and ambit of Article 19(2) which imposes reasonable restrictions on the exercise of the freedom under Article 19(1)(a).

18. The increase in health warning content on packaging from 40% to 85% does not benefit the consumers in any manner, rather is detrimental to the manufacturers and other members of the trade. The economic system in a democracy would be handicapped without there being freedom of commercial speech including trademarks. The manufacturers of tobacco products have invested large sums of money in development, packaging and protection of brands. These brand restrictions will disincentivize innovation, investment and trade. These amendments are unfair to the trademark owners as it unfairly

restricts the manner of usage of the mark on the tobacco products. The respondents have been unable to show as to why the previous requirement of 40% was insufficient through any empirical data and not meeting the requirements. The Respondents by this act are merely depriving the public of the information being made available by the trademark.

19. The government's intention to create awareness of the evils of smoking or consuming tobacco can be accomplished by other means like displaying advertisements or hoardings regarding the ill-effects of consumption of tobacco, but not by forcing the producers, suppliers or distributors to publish such textual or pictorial warnings on the packets and pouches manufactured by them to sell the products because it affects their fundamental rights.

20. It is submitted that the fundamental rights under Article 19(1)(a) can only be restricted by virtue of Article 19(2). Article 19(2) provides an exhaustive list of grounds under which such restriction can be imposed. Any restriction imposed on the ground of interest of the general public or public health does not fall under any one of the eight buckets recognized under Article 19(2). Thus, such a restriction as contemplated by these rules, imposed on the fundamental right to freedom of speech and expression is unsubstantiated and

farfetched. It is a settled position of law that any law seeking to impose a restriction on the freedom of speech can only pass muster if it is proximately related to any of the eight subject matters set out in Article 19(2).

II. Violation of the right to carry on trade or business.

21. Article 19(1)(g) grants the right to practice any profession, or to carry any occupation, trade or business and for an unfettered commercial practice, it is imminent to protect the trademark and goodwill acquired by the business entity and in case of non-protection of such mark or goodwill, a business may get disrupted. Thus it is imminent to protect the trademark from any illegal encroachment and infringement and also from any illegal gain by way of passing off. Trademarks include not only brand names, but also logos and other insignia, trade dress and representations on the whole or on one or more faces of the cigarette packages. Such usage of trademark generates goodwill over a period of time, however the 2014 amendment rules violate the manufacturers rights in their trademarks, especially the most fundamental, right of the trademark owner to use his trademark.

22. It is further submitted that for trademark registration under the Indian Trademarks Act, 1999, neither the Intellectual Property Office nor the Government pays money to parties seeking registration of a trademark. Rather, it requires the payment of fees to file an application and to maintain the registration once it is granted. Thus, at one end the Government is taking fees to register a certain manner of mark and at the other end through 2014 Rules, the rights conferred by registration of the mark as well as the rights under Article 19(1)(g) of the Indian Constitution have been unreasonably curtailed.

23. Trademarks invariably form an essential aspect of any business. They constitute the identity and goodwill of a business and signify the quality and nature of the products sold under it to the consumers. Thus, the right to carry on a trade or business also includes the right to use a trademark for the same. The 2014 rules have undeniably deprived the tobacco producers from the use of their statutory rights in the trademarks. Such a restriction is violative of the fundamental right to carry on a trade or business.

24. The 2014 rules deprive the tobacco product's manufacturers from using and exploiting their trademarks in any meaningful and substantive manner and

deprives them of the control over the look and get up of their products. The limited space of 15% designated for displaying the trademark is not sufficient and cannot effectively differentiate the products of different manufacturers. This is more so as mandatory information under Legal Metrology Act has to be included within this space. This essentially makes it practically not possible to depict the trademark of the manufacturer. This negates the basic source identifying purpose of a trademark.

25. Removing branding including trademark, trade dress/get-up would mean removing the link between the trademark and the product. This will decrease the barrier between genuine and counterfeit goods as imitating plain packaging trade dress is far easier than reproducing the trademarks, logos and other brand imagery of trademark owners. This in turn will result in a subsequent increase in the risk to consumers from counterfeit and illegal tobacco products. Needless to mention, losses in revenue to brand owners are bound to happen due to illicit counterfeit products flooding the market. Trademarks foster competition and the maintenance of quality by securing to the producer the benefits of good reputation.

26. From the above, it is manifestly clear that the restriction imposed on the fundamental rights under Article 19(1)(g) is disproportionate to the purpose sought to be achieved and is overreaching the scope of Article 19(6) which allows for reasonable restrictions to be imposed on this right. The Respondents have failed to justify the rationale behind such a drastic measure which has reduced the fundamental rights of tobacco producers to a nullity. The restriction imposed is outweighing benefits if any flowing out of this restriction.

27. The 2014 rules run the risk of stimulating a price competition leading to down trading and increase in consumption; growth of counterfeits and illicit trade, all of which has the potential to distort the competition in the market and stifle innovation. This in turn effectively hampers and impairs the fundamental rights guaranteed under Article 19(1)(g) of the Constitution.

Position in Foreign Jurisdictions: Trademark rights vis-à-vis Fundamental Rights

European Union

28. The EU in 2017 amended its Trademarks rules and brought out the Commission Regulation 2017/1001, and a provision concerning trademarks and fundamental rights was added to the recitals. It provides that trademark rules should be "applied in a way that ensures full respect for fundamental rights and freedoms, and in particular, the freedom of expression. This provision paves the way for guaranteeing that while implementing trademark rights, the fundamental right of freedom and speech and expression will be protected. The current trend shows that CJEU's rulings are bent towards protecting fundamental rights and interpreting any exceptions and restrictions to the same narrowly. In *Deckmyn v Vandersteen et al.,* Case C-201/13, the CJEU rejected the traditional view of limitations and exceptions as being restrictively delineated and adopted the view that any exception to the right of freedom and expression, including copyright must be interpreted narrowly. Thus, Fundamental Rights are getting internalized into EU IPR regime and constitute an explicitly integrated part of the IPR legislative system.

United States

29. In the US, the First Amendment to the Constitution which guarantees the freedom of speech and expression, makes no distinction between commercial

and non-commercial speech. In Valentine v. Christensen, 316 U.S. 52 (1942); the first case addressing the constitutional validity of commercial speech, it was held that the Constitution would not impose any restrains on the government to restrict purely commercial advertisings which would aim at profit making activities.

30. Further, In the landmark decision in *Central Hudson Gas & Electric corporation v. Public Service Commission of New York, 447 U.S. 557 a four* part analysis test was conceptualized to ascertain if commercial speech would fall under the ambit of First Amendment protection and the test as later expanded in *Rubin v Coors Brewing Co. 514 U.S. 476. 487 (1995)* is as follows:

(i) if an act of speech is lawful and not misleading it receives first amendment protection;

(ii) the government can then only regulate it if the regulation serves a substantial interest of the governed;

(iii) if the regulation directly promotes this substantial interest, either through direct and material advancement, the burden to show that the harm is "real" and that and the restriction will alleviate the harm to a material degree; and

(iv) only if the regulation is not more extensive than necessary to serve this particular interest, the government is required to take numerous and obvious less-burdensome alternatives to the restriction, in order to achieve the "reasonable fit" between the government's end and its means.

31. Thus, in the US, if a statute regulates speech based on its content, it must be narrowly tailored to promote a compelling government interest. If a less restrictive alternative would serve the Government's purpose, the legislature must use that alternative. Strict scrutiny applies whether a government bans or merely burdens protected speech.

B. Violates Consumer rights.

32. The 2014 Rules constitute a violation of Consumer Rights, particularly (i) **right to be informed**, about the quality, quantity, potency, purity, standard and price of goods **so as to protect the consumer against unfair trade practices**. Consumer should insist on getting all the information about the

product or service before making a choice or a decision; and (ii) **right to choose,** that is the "*right to be assured, wherever possible of access to variety of goods and services at competitive price. In case of monopolies, it means right to be assured of satisfactory quality and service at a fair price. It also includes right to basic goods and services. This is because unrestricted right of the minority to choose can mean a denial for the majority of its fair share. This right can be better exercised in a competitive market where a variety of goods are available at competitive prices*"

I. Right to be informed

33. As it has been stated below, consumers must be informed and protected from unfair trade practices, hence the laws that regulate the sale of goods and services, which are subject to consumer protection from unfair trading and the enactment of laws that provide brand owners the right to enforce their trademark against such unfair traders have been enacted. The Consumer Protection Act, 2019 makes provision for the right of the consumers to be informed about the quantity, quality, potency, purity, standard and price of goods to protect consumers from unfair trade practices. This is essentially the

function of a trademark. Thus trademarks hold utmost significance in ensuring that the consumer's right to be informed is enforced.

34. The restriction on the use of the brand/trademarks on the packaging and increase of health warning content of Tobacco Products to 85% can increase this unfair trade by facilitating counterfeits. Since only a nominal portion of the packaging now requires reproduction of brand and 85% of the packaging is only health warning, it will become easy to replicate the packaging and brands as the pictorial health warnings are common pictures for all tobacco products. Counterfeiting is a serious issue as it encourages substandard products being circulated in the market.

35. The consumption of substandard tobacco products amplifies the already existing health hazard associated with tobacco consumption and poses a serious challenge to public health. It is detrimental to consumer welfare to make uninformed purchasing decisions.

36. The right to be informed forms an essential facet of the right to life of individuals which is a fundamental right protected under Article 21 of the Constitution of India. It is the fundamental right of consumers to have a full

and effective disclosure of the product they are buying and no disclosure can be effective unless the source of the products is clear. Thus, display of trademarks on the products assumes utmost significance in ensuring and protecting the consumer's right to be informed.

II. Right to choose

37. The Consumer Protection Act, 2019 provides that consumers have the right to choose products, a right that can only be enforced by consumers in a competitive market where a variety of goods are placed properly identified by trademarks. Consumers are prompted to freely decide the most suitable product from his point of view.

38. With the enactment of the 2014 Rules, this right is jeopardized as it makes it difficult for consumers to compare or identify products when 85% of the package is taken from the owner to distinguish its products from those of their competitors.

39. As much as the Consumer's right to be informed is a facet of Article 21, so is the right to make free and informed choices of what to buy. The right to choose

assumes significance for consumer protection as consumers cannot be made to choose with a blindfold. A consumer can effectively choose only when he is properly informed and aware of what he is buying. With 85% of the packaging covered in health warning, consumers cannot be expected to differentiate products emanating from different manufacturers and thus cannot effectively exercise their fundamental right to choose.

C. Violative of Trade Marks Act, 1999

40. The impugned Rules in prescribing 85% coverage on each package of tobacco products with specified warning and rotation of warning have contravened the constitutional and statutory limits. There had to be pressing and imminent grounds made out by the Government to establish that the existing requirement laid down in the 2008 Rules did not satisfy the test of being legible, prominent and conspicuous and that nothing less than 85% coverage would be legible, prominent and conspicuous. Prescription of 85% is not a reasonable restriction and such prescription of 85% takes away the right of the petitioners recognized by the Trade Marks Act, 1999.

41. It is a settled position of law that a rule is not only required to be made in conformity with the provisions of the Act where under it is made, but the same

must be in conformity with the provisions of any other Act, as a Subordinate Legislation cannot be violative of any plenary legislation made by the Parliament or the State Legislature. A delegated legislation is always open to the challenge on the ground that it is contrary to some other statute and that it is unreasonable and manifestly arbitrary. Thus, the 2014 rules ought not to be contrary to any other statute including the Trademarks Act.

42. It is submitted that the impugned Rules take away one of the most important right guaranteed to the trademark owners under Section 28 of the Trade Marks Act, i.e. the 'Right to Use' the Trademark. Section 28 bestows upon the registered proprietor the exclusive right to the use of the trademark. Thus the impugned rules have taken away the right of a trademark owner.

43. Moreover, section 153 of the Trademarks Act provides that the government is bound by the provisions of this Act. Thus, implying that the government could not have made any rules which are ultra vires the trademark laws. It is settled law that Subordinate Legislation cannot be violative of any plenary legislation made by the Parliament or the State Legislature.

D. Additional submissions

44. From an economic perspective, removing or restricting the branding (including trade dress/get-up) from cigarette packaging may result in consumers having to differentiate rival products by price, which may drive prices and product quality down.

45. The restriction of space for advertisements of a trademark on the packaging of cigarettes and other tobacco products may thus have a “boomerang” effect, i.e., it could lead to an increase in new smokers, in particular among young people, as product prices are driven down.

46. In a 2009 report about the pharmaceutical sector, the European Commission found that new market entrants supplying generic products typically price them 25% lower than the branded equivalent and this reduction in price leads to higher consumption. Similarly, applying this line of reasoning to the tobacco industry would mean that a decrease in the price of tobacco products (brought about by restriction on the space for advertisement of brands) may lead to an increase in consumption of tobacco products. Tobacco products would be more affordable for consumers and may even result in more people picking up smoking at a younger age.

47. As per the Indian law, GST on tobacco products with registered brand names is higher, for e.g., GST rate for goods containing tobacco bearing a brand name is 96%, while for those not bearing a brand name is 89%. Thus, the Rules undermining the benefits of trademark rights, will adversely affect the tobacco companies having registered brands who have not only invested in building the brand, but have also paid increased taxes. This in turn will also give rise to counterfeit products, as enforcement will become tougher. As tobacco manufacturers may not see much advantage in registering their brands, the government will incur monetary losses. Thus the 2014 rules will only disincentivize registration of trademarks by the tobacco owners.

IV. INTA's Position

48. INTA disapproves of removal or restriction of space for placing trademark on the packaging of tobacco products as (i) the proposal lacks justification on benefit of public health; (ii) is detrimental to the brand owners in Tobacco industry as it erodes brand value; and (iii) violates India's constitution and obligation towards various international treaties, all in detriment of consumers.

49. Therefore, in the humble opinion of INTA, the restriction of 85% of space for the brand owners to place the trademark on the packaging of tobacco products is already in violation of the rights of the brand owners and an invitation to unfair trade, such as counterfeiting, in detriment of consumers rights. INTA also considers this type of measure a step towards plain packing of tobacco products in India.

INTA is grateful for being permitted to bring this perspective for kind consideration by this Hon'ble Court.

INTERNATIONAL TRADEMARK ASSOCIATION

THROUGH

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