

## **1 Introduction**

We refer to the Tobacco Plain Packaging Bill 2011, and the accompanying explanatory memorandum. We are writing to express our concern at specific intellectual property aspects of the Bill.

## **2 About AIPPI**

AIPPI<sup>1</sup> is the world's leading international organisation dedicated to the development and improvement of intellectual property. It is a politically neutral, non-profit organisation, with its headquarters in Switzerland and currently has more than 9,000 members representing more than 100 countries. The Members of AIPPI are people who are actively interested in intellectual property protection on a national or international level. They include lawyers, patent attorneys, trademark agents, judges, academics, scientists and engineers.

The objective of AIPPI is to improve and promote the protection of intellectual property on both an international and national basis. AIPPI pursues this objective by working for the development, expansion and improvement of international and regional treaties and agreements and also national laws relating to intellectual property. AIPPI operates by conducting studies of existing national laws and proposes measures to achieve harmonisation of these laws on an international basis.

The following submissions are made on behalf of the Australian group of AIPPI, and while consistent with resolutions passed by AIPPI at an international level, these submissions are not made on behalf of the International organisation. They are made by the group on its own initiative and are not in any way funded or supported by the tobacco industry.

## **3 The Specific Aspects of Concern to AIPPI**

The Bill intends, as noted in the consultation paper, to prevent a trade mark from being placed on tobacco products or their retail packaging. This is accomplished directly by section 20, and more broadly by sections 18 to 26, and the regulations to be established pursuant to that section 27. It is clear from these provisions that the effect is, as stated in the explanatory memorandum,

*'The Bill prevents a trade mark from being placed on tobacco products or their retail packaging..q*

As we will detail below, this is in clear breach of Australia's international obligations under the TRIPS agreement and the Paris Convention. The procedural attempts to limit the most direct effects under the *Trade Marks Act 1995*, contained in section 29 of the Bill, do not resolve

these issues: as we will detail below, they merely address the surface consequences, while ignoring the real and substantive issues.

## **4 Issues**

We note at the outset that AIPPI has no issue with, and indeed strongly supports, the public health objectives outlined in the Australian National Health Taskforce's discussion paper entitled *Australia: The Healthiest Country by 2020* and intended to be implemented in this Bill. We are supportive of the objectives of reducing smoking. We agree that it is within the government's prerogative to regulate tobacco products, health warnings, and the mode of packaging. We do not address the requirement, for example, that a large part of the package be devoted to health warnings, or that the general package colour may be regulated. Indeed, should the government wish to prohibit tobacco sales altogether, or nationalise the industry, then we do not dispute that these are matters within the Commonwealth's power to legislate.

The policy remains, however, that tobacco products may be lawfully sold. We are concerned about the implications for the intellectual property system when the use of lawfully obtained and registered trade marks on lawful goods is prohibited for a class of goods.

As we will explain further below, we consider that the proposed interference in the mode of representation of trade marks is an unjustified and unreasonable restriction on the ability of trade mark owners to use their trade marks directly upon the goods for which the trade marks are registered. Such interference is also clearly contrary to Australia's obligations under the TRIPS agreement (and other treaties), as well as to existing Australian trade mark legislation.

Another related issue is the facilitation of counterfeiting. If distinctive elements are removed from packaging, the ability for consumers, retailers, and indeed police, customs and taxation officials to clearly identify genuine product is greatly reduced.

Further, we submit that this is also an unreasonable imposition upon consumers. If all cigarette packets look the same, down to the font and colour of brand names, then the likelihood that a consumer will receive products other than those they have ordered increases. Product substitution will be relatively simple. Removing graphical elements of branding will reduce the ability of consumers to be sure that they are acquiring the intended product.

We will expand on these issues below.

## **5 What is a Trade Mark?**

In order to understand our position, it is critical to first understand the concept of a trade mark in trade mark law, under the TRIPS<sup>ii</sup> agreement, and under the *Trade Marks Act 1995*.

According to article 15 of TRIPS<sup>iii</sup>,

Any sign, or any combination of signs, capable of distinguishing the goods or services of one undertaking from those of other undertakings, shall be capable of constituting a trademark. Such signs, in particular words including personal names, letters, numerals, figurative elements and combinations of colours as well as any combination of such signs, shall be eligible for registration as trademarks.

Australia is a signatory to TRIPS, and the corresponding provisions of the *Trade Marks Act 1995*<sup>iv</sup> incorporate this into domestic law. It is noted that the TRIPS agreement is not merely a stand alone agreement relating to IP law . it is an integral part of the WTO agreements which underpin all international trade from Australia. Breaches of TRIPS may be pursued through the dispute procedures of the WTO.

Trade marks, as defined above, are not just about the mere name. They also include the graphical components, distinctive aspects of packaging, and colours. If the trade mark includes words as well as images, shapes, or colours it is not possible to instruct someone to use the trade mark by using the words alone. There are many Australian trade marks for tobacco products which incorporate images, aspects of packaging, colours either in association with words or as trade marks in themselves.

Section 28, in effect, creates an artificial state of affairs, where for tobacco trade marks affected by this legislation, issues of use and intention to use under the Trade Marks Act are deemed to be met or satisfied. This does not address the underlying prohibition on any lawful use for tobacco related trade marks that, for example, are three dimensional marks relating to aspects of packaging. It is impossible to use such a trade mark on invoices or business correspondence. The owner is left with, at best, theoretical trade mark, which there is no lawful way for them to use or apply to goods, or indeed anything at all. It is difficult to discern what actual property rights remain associated with such a trade mark.

Accordingly, it is explicit in the Bill and proposed regulations that trade mark owners be completely prohibited from using many of their trade marks on the goods for which they are registered. This has clearly been recognized by the government, to the extent that section 28 purports to deal with the consequences of the Bill prohibiting the use of certain trade marks.

## **6 Fundamental issues under Treaties and Legislation**

Such a prohibition is inconsistent with the legislation and the TRIPS agreement. The *Trade Marks Act 1995*, in section 20, provides that the registered owner of the trade mark has ±... the exclusive rights:

- (a) To use the trade mark; and

(b) To authorise others to use the trade mark:

In relation to the goods in respect of which the trade mark is registered.

Article 7 of the Paris Convention and its equivalent, Article 15 (4) of TRIPS, further provides that

The nature of the goods or services to which a trademark is to be applied shall in no case form an obstacle to registration of the trademark.

Despite some assertions to the contrary, this provision is clear and unequivocal. It provides that Australia is in fact bound to allow the owner to use the trade mark.

If there is no lawful way a trade mark can be used in association with the goods for which it is registered, then there is no lawful way to use the trade mark (in the relevant sense), and this in itself provides an obstacle to registration of the trade mark. If there is no lawful way to use the trade mark, then the owner cannot have a *bona fide* intention to use the trade mark, and this creates a ground for removal under section 92(4) of the *Trade Marks Act 1995*. A trade mark which has not been used for the prescribed period may also be removed from the register.

A related issue arises from section 42 of the *Trade Marks Act 1995*. It provides that a trade mark must be rejected if its use would be contrary to law. The proposals would make the use of any tobacco related trade mark which was not in plain letters contrary to law.

The Bill attempts to address this in section 28. This provides that, in effect, the Registrar (or prescribed Court) must not reject, revoke or remove a trade mark merely because the owner is prohibited under this Bill from using their trade mark. This provision seeks to avoid these direct consequences within the *Trade Marks Act 1995*, by allowing trade marks to still remain on the register, and continue to be registered, in a wholly artificial way.

It does not, however, address the important and fundamental aspects of the right of a trade mark owner to use their trade marks on lawful goods. We suggest that some thought should be given to the consequences of creating what will amount to artificial trade mark registrations, with no ability to use the trade mark and no competitive effect.

It is of great concern to AIPPI that the bill will endorse a situation where a trade mark can be selected, applied for, registered and remain in force, despite the owner having no real intention to use (as this will, in fact, be impossible for many trade marks) and no way to use, and the registration will be not only valid but effectively impossible to remove for use related reasons. This has an effect not only for tobacco products, but also for similar or related goods and services, which may be prevented by the tobacco related trade mark registration. That this anomaly is established in, we submit, an ineffective attempt to avoid treaty obligations only serves to compound the situation.

TRIPS further provides, in article 20, 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.

We submit that the use in a manner detrimental to its capability to distinguish the goods or services is precisely what is proposed by the Bill. It is the clear and direct intention of the Bill to reduce the ability of the trade marks to distinguish the goods of one undertaking from those of another, by removing some or all of the distinctive elements.

There have been suggestions that the public health provision in TRIPS article 8(1) provides a exception relevant to tobacco regulation. Article 8(1) is very clear:

Members may, in formulating or amending their laws and regulations, adopt measures necessary to protect public health **provided that such measures are consistent with the provisions of this Agreement** (emphasis added).

This provision is intentionally subordinate to the specific provisions of the agreement, including articles 15 and 20. It cannot be used to justify clear breaches of the articles noted.

Resolutions of AIPPI at an international level are also inconsistent with the proposals. The resolution in relation to Q151<sup>v</sup>, *The Impact of Advertising Restrictions on Trademarks*, concluded in Sorrento, Italy in 2000, provides that:

2. Concerns of social policy may justify certain advertising restrictions. These restrictions, however, may not be disproportionate or unreasonable (see for instance art. 20 of the TRIPS Agreement). Advertising restrictions may not prohibit the registration of trademarks as such, or allow for cancellation (under whatever name) of trademarks (see also art. 6 quinquies B and art. 7 of the Paris Convention and article 15 par. 4 of the TRIPS Agreement).

It is very clear that the Bill and proposed regulations will create breaches of TRIPS and other international agreements.

While we do not propose to comment directly on the acquisition of property issue raised by other parties, we do note that the undeniable effect of the provisions in the Bill is to vastly reduce the value and practical scope of trade mark registrations extant in Australia for tobacco products. Such registrations which include graphical, three dimensional and colour elements are reduced to little more than a technical entry on the register.

## **7 Consequential issues**

One issue is the facilitation of the production and distribution of counterfeit goods. The complexity of tobacco packaging is an important element which enables trade mark owners

and customs authorities to establish whether a product is genuine or counterfeit. If all packets look virtually identical, it is easier for counterfeiters to produce a range of near perfect facsimiles of the prescribed packaging. They need only make minor changes to match whatever brand of cigarettes is desired, in accordance with the proposals. Distinctive features of packaging, embossing, colours, images and so forth need no longer be a concern for counterfeiters. The removal of most distinctive elements will serve to make the business of counterfeiting simpler, with predictable effects for both the tobacco industry and government revenue. It is likely that counterfeit products are of low quality, and perhaps even dangerous.

Counterfeiting has been widely recognised as a major international issue. It is perhaps ironic that Australia has actively participated in the recent establishment of the Anti Counterfeiting Trade Agreement<sup>vi</sup>, while in this respect is proposing to simplify the task for counterfeiters. Taking a path which simplifies matters for counterfeiters has the potential to tarnish Australia's enviable reputation for the protection of intellectual property in the eyes of the international community, with corresponding potential effects on incoming trade and investment.

Another consequence relates to the ability of consumers to distinguish products from each other. By removing some or all of the elements that distinguish one undertaking from another . or in this case one packet of cigarettes from another . certain consequences can be confidently predicted to follow. AIPPI is perhaps uniquely placed to have a perspective about confusion, misrepresentation and the consequences of insufficient distinction between the trade marks and other distinguishing features of goods, as many of us are engaged in disputes concerning precisely these matters. Trade mark law, and related aspects of common law such as passing off, exist to address issues which are fundamentally about ensuring that one trader's goods are not mistaken for those of another.

One consequence of the proposed changes is that removing trade mark related shapes, graphical components, colours and imagery from the packaging will make the packets appear much more similar, especially as most of the surface will be government mandated warnings and the like, which do use colours, shapes, etc. The capacity to distinguish between the remaining components will be necessarily reduced, more so because of the uniformity of fonts and colours. It is more or less inevitable that an increase in consumers being provided (deliberately or mistakenly) with the incorrect goods will result from the proposals.

It is particularly noted that the very extensive use of colour and distinctive images and logos by the tobacco industry has created a situation where it is likely that these are very important, and perhaps dominant, features of product recognition by consumers.

AIPPI is also concerned that this measure in relation to tobacco products may become a precedent for action in relation to other goods, for example alcoholic beverages. A similar argument can be mounted that making the packaging of wine less attractive and removing

distinctive visual elements will make the bottles less attractive and reduce consumption. Other industries would also be under similar threats.

We submit that so long as sale of a product is lawful, to the extent that a lawful trade mark may be applied to goods, that such application should be permitted in the manner selected by the trade mark owner. Increasing the risk of confusion is in no one's interest.

## **8 Conclusion**

Accordingly, we submit that the Bill in its present form is in breach of Treaty obligations, and exposes the Commonwealth to potential claims for compensation and international sanctions. We would encourage a review of the proposed provisions, and remain available for discussions as to alternative measures.

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<sup>i</sup> [www.aippi.org](http://www.aippi.org)

<sup>ii</sup> Agreement on trade related aspects of intellectual property rights, one of the WTO agreements.

<sup>iii</sup> Article 15(1)

<sup>iv</sup> *Trade Marks Act 1995*, ss 6, 17

<sup>v</sup> Q151 Full text available at <https://www.aippi.org/download/comitees/151/RS151English.pdf>

<sup>vi</sup> <http://www.dfat.gov.au/trade/acta/>