

Plain packaging for tobacco

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looks at the international IP implications

On 19 April 2012 the Hon Tariana Turia announced that the government had agreed in principle to move towards the introduction of a plain packaging regime for tobacco in alignment with that in Australia, which is due to come into force in December this year (<http://www.beehive.govt.nz/release/moving-towards-plain-packaging-tobacco-products>). The issue is currently going out for public consultation. The Australian regime introduces rigorous requirements that will homogenise the packaging for tobacco products so as to (so the tobacco companies say) make them indistinguishable.

The government announcement has been welcomed by a number of health lobby groups. The tobacco industry, in response, has said that the proposal raises a number of issues in terms of New Zealand's international trade and intellectual property obligations that would potentially put New Zealand in breach of those obligations; something that the Prime Minister has denied (www.stuff.co.nz/national/politics/6789833/Key-Free-trade-won-t-snuff-plain-smokes). This article considers what trade mark law issues are raised, in particular under the Agreement on Trade-Related Aspects of Intellectual Property Rights ("TRIPS") and the Paris Convention 1967.

The effect of plain packaging will almost certainly be to impact on the rights in trade marks held by tobacco companies. The question is whether the restrictions on the trade mark holders' rights are consistent with New Zealand's obligations under TRIPS and the Paris Convention? The answer is "maybe"; and will largely depend on the empirical evidence as to the effect that the plain packaging has on tobacco consumption. The actual answer may be determined before New Zealand gets around to introducing its own regime; both the Ukraine and Honduras have "requested consultation" with Australia about its proposed regime under the World Trade Organisation Dispute Resolution Procedures (www.wto.org/english/tratop_e/dispu_e/cases_e/ds434_e.htm; and www.wto.org/english/tratop_e/dispu_e/cases_e/ds435_e.htm). In order to arrive at a conclusion we need to consider; first, how the plain packaging requirements are likely to impact on marks; secondly, what protection is extended to marks under TRIPS and the Paris Convention; and, finally, whether there are any provisions in TRIPS that would allow such regulation notwithstanding potentially negative effects on the rights of trade mark holders.

IMPACT OF REQUIREMENTS

If New Zealand follows the same approach as Australia then the plain packaging requirements will impact on two different types of trade marks in two different ways. The Australian Tobacco Plain Packaging Act 2011 provides that "[n]o trade mark may appear anywhere on the retail packaging of tobacco products" (s 20(1)), apart from the brand name,

variety, business or company name or other legislative requirements (s 20(3)). If a brand name is to appear then it must meet the requirements of the Act and its implementing regulations (s 21).

What are those requirements? Tobacco product packages will have to be a "drab dark brown" in a matt finish; there are to be no other colours, nor logos, nor brand features visible on the package. Any brand and variety name can only appear in a standard form and font below a graphic health warning which will take up to 75 per cent of the front surface of each package and 90 per cent of the back surface (s 19; cl 2.2.1 and 2.4.1 of the Tobacco Plain Packaging Regulations 2011; Sch 2 to the Competition and Consumer Act 2010; and the Competition and Consumer (Tobacco) Information Standard 2011).

There are two broad categories of trade mark that are affected by this statutory regime; and it is important that they are distinguished. Firstly, there are word marks; which are, in effect, words. Then there are non-word marks such as "device, figurative or stylised marks, for example logos and combined marks containing stylised letters, shape marks the colours marks" (Gervais, Daniel; *Analysis of the compatibility of certain Tobacco Product Packaging Rules with the TRIPS Agreement and the Paris Convention* (Licensing Executives Society International) 30 November 2010).

The impact of the plain packaging requirements on the two types of mark is rather plain to see. The use of word marks is heavily regulated. Brand names, such as "Benson & Hedges", will appear on the packaging in exactly the same size and font as competitors such as "Pall Mall" which will have the effect of reducing the distinctiveness of the brand names as trade marks; making it more difficult for consumers to choose between the differing brands on sight. The impact of the plain packaging requirements on non-word marks is even simpler to describe; it simply bans their use. The familiar logos of tobacco companies will no longer be able to be used on the packages.

TRIPS AND PARIS

The next question that we need to consider is whether such restrictions would infringe either TRIPS or the Paris Convention. In order to answer that question we need to understand what rights are protected by TRIPS and the Paris Convention.

Turning first to TRIPS, the relevant rights are found in arts 15 and 16. Article 15 defines the subject matter that is protected by trade mark law and sets out the obligations on member states of the World Trade Organisation in relation to the registration of marks. The proposals will not affect the registrability of the marks and are formally compliant.

Article 16 sets out the rights conferred on trade mark holders. Article 16.1 confers the right to prevent third parties

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from “using in the course of trade identical or similar signs for goods or services which are identical or similar” to those for which the mark is registered “where such use would result in a likelihood of confusion”. Additional rights are provided by arts 16.2 and 16.3 in relation to “well-known” marks, whether used for goods or services (registration not being a strict requirement). The rights conferred by art 16, and in particular 16.1, have been referred to as “negative rights” (Correa, *Trade Related Aspects of Intellectual Property Rights: A Commentary on the TRIPS Agreement* (OUP, 2007) at 186) in the sense that they are rights to prevent others from use of the marks; they do not themselves grant rights to the mark holders to use the marks. This much was recognised by the WTO Dispute Resolution Panel in *European Communities — Protection of trademarks and geographical indications for agricultural products and foodstuffs* WT/DS174/R, 15 March 2005, when it said that “the TRIPS Agreement does not generally provide for the grant of positive rights to exploit or use certain subject matter, but rather provides for the grant of negative rights to prevent certain acts” (at [7.210]).

A similar conclusion could be reached in relation to the provisions of the Paris Convention. The Convention text itself appears to offer no specific right to use trade marks (whether registered or not). Article 7 sets out that the nature of the goods for which a mark is to be used is not to be an obstacle to the registration of the mark. In addition, art 6quinquies sets out that the marks may be declined registration where they are “contrary to morality or public order”. This appears to suggest two things; first that there is no protection within the Paris Convention for the use of trade marks; and second that there is, in fact, provision that would allow for marks relating to tobacco products to be declined registration.

A right to use?

However, such an approach is overly simplistic in relation to both TRIPS and the Paris Convention; both arguably have as the spirit behind them the protection of the right to use marks. Such an argument may appear difficult to sustain given the apparent freedom given to member states to ban or regulate the sale of products (such as guns, drugs, tobacco and alcohol). However, such restrictions relate to the ban and regulation of the products themselves not to the use of intellectual property rights in relation to the products. Both TRIPS and Paris place restrictions on the ability of member states to regulate the use of intellectual property rights in relation to products, even if they do not place restrictions on the regulation (or banning) of the products themselves.

Article 20 of TRIPS is a clear example; it makes provision to prevent the unjustifiable restriction on the use of a trade mark in the course of trade (Stoll et al *WTO — Trade Related Aspects of Intellectual Property Rights* (Leiden: Martinus Nijhoff, 2009) at 344). As Gervais has noted the first sentence of art 20 “seems to imply a “right to use a trade mark” because if such a right did not exist then there would be no need to restrict the ability of WTO Members to “encumber” that right (Gervais at [33]). Even if the opposite approach

were adopted, that art 20 merely restricts the freedom of members to encumber marks, the result is the same; any encumbrances on use of the mark must be justified.

There are those that suggest art 20 cannot create a right that other TRIPS provisions do not create; and that instead art 20 should be read as being about how marks are used, not where and when they may be used as art 20 cannot be about regulating the positive right to use a sign (Alemanno and

Bonadio “Do you mind my smoking? Plain packaging of cigarettes under the TRIPS Agreement” (2011) 10 *J Marshall Rev Intell Prop L* 450 at 464). However, such an argument would appear to restrict unduly the meaning of art 20 and create a rather odd distinction that the drafters cannot have intended: how can it be that

member states have the right to determine where and when marks should be used (but with only limited restrictions on registration), yet member states cannot determine how marks may be used? In the particular case of plain packaging requirements, of course, it would still leave art 20 relevant in relation to the restrictions on word marks given that it regulates “how” marks may be used.

There is also evidence to the effect that the principle meant to underpin art 7 of the Paris Convention is that where “a mark owner is given a right to register it is because the mark is meant to be used in commerce” (Alemanno and Bonadio at [67]). The particular evidence to support this was the 1956 amendment to art 7 proposed by the Association Internationale pour la Protection de la Propriété Intellectuelle (AIPPI — not necessarily a neutral body) which included the addition of “the exclusive right of the owner or right holder to use a mark thus registered or renewed cannot be prohibited or limited when sale to which it applies is legal”. Although it was not adopted, it does give an indication of the thinking behind the current wording of art 7.

Finally and, perhaps, most persuasively, the concept of use is fundamental to the basic principles of trade mark law. Trade mark law developed so as to allow traders to identify the source of goods and to prevent consumer confusion. Use must be inherent in such concepts. These normative underpinnings of trade mark law have been recognised by the WTO Dispute resolution Panel in *European Communities — trade marks* where, at [7.664]:

The TRIPS Agreement itself sets out a statement of what all WTO Members consider adequate standards and principles concerning trade mark protection. Although it sets out standards for legal rights, it also provides guidance as to WTO Members' shared understandings of the policies and norms relevant to trademarks and, hence, what might be the legitimate interests of trademark owners. The function of trademarks can be understood by reference to Article 15.1 as distinguishing goods and services of undertakings in the course of trade. Every trademark owner has a legitimate interest in preserving the distinctiveness, or capacity to distinguish, of its trademark so that it can perform that function.

Clearly, then, the TRIPS Agreement and the Paris Convention do have underlying them the protection of the ability of

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mark holders to use the marks in trade; if they did not then it would be a rather curious omission given the intellectual underpinnings of trade mark law. That protection is expressly articulated in art 20 of TRIPS. On the face of it, then, there is the possibility that plain packaging requirements would breach New Zealand's obligations under TRIPS (at least). The question that we now need to consider is whether plain packaging requirements would, in fact, fall foul of art 20 and also whether there are any other provisions that may allow for the imposition of plain packaging requirements?

Exceptions in TRIPS?

The two most relevant articles here are both in TRIPS; they involve the application of art 8 and the application of art 20. Article 8 involves a statement of principle relating to, amongst other things, public health and nutrition:

Members may, in formulating or amending their laws and regulations, adopt measures necessary to protect public health and nutrition, and to promote the 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.

As has been stated, art 8 is a statement of principle rather than an "exception"; to that extent it will be relevant to the interpretation of art 20 (Gervais at [55]), but it does not mean that even if the adoption of plain packaging met the requirements of art 8 that art 20 would not continue to apply. However, art 8 will only be relevant to the interpretation of art 20 if the plain packaging requirement can be shown to be necessary (it can be accepted that the reduction of tobacco consumption is a legitimate public policy goal).

What does necessary mean in this context? Under the General Agreement on Trade and Tariffs (the "GATT") the issue was considered in the dispute-settlement panel decision in *Thailand — Restriction on Importation of and Internal Taxes on Cigarettes* GATT DS10/R-37S/200, 7 November 1990. The decision involved consideration art XX(b) which also involved the question of whether a measure was necessary. The focus of the panel was on whether there was a viable alternative measure which could be employed which was not inconsistent with other GATT provisions.

Ultimately, the question of whether or not the plain packaging requirements are "necessary" will depend on two considerations; the first, to be addressed below, is whether they are effective; the second, whether there is any alternative that does not infringe the rights set out in TRIPS and the Paris Convention. Both are primarily empirical considerations, and cogent evidence will be needed in order to establish the necessity. If that is established then the principle outlined in art 8 will come into play (it is worth noting that the question may just be an academic one; if the encumbrance can be justified under art 20 — and the standard of justification will not be any higher than that for necessity — then the issue is resolved without actually having to invoke art 8).

Similarly, the Doha Declaration on the TRIPS Agreement and public health of November 2001 will be relevant to the question of interpretation of art 20:

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Accordingly, while reiterating our commitment to the TRIPS Agreement, we affirm that the Agreement can and should be interpreted and implemented in a manner supportive of WTO members' right to protect public health and, in particular, to promote access to medicines for all. In this connection, we reaffirm the right of WTO members to use, to the full, the provisions in the TRIPS Agreement, which provide flexibility for this purpose.

However, the declaration will not be determinative of the matter and is simply another factor that will be brought to bear when the application of art 20 is considered (for a more robust view see Mitchell and Studert "Plain Packaging of Tobacco Products in Australia: A novel regulation faces legal challenge" (2012) 307 J

AMA 261).

That leads us to the question of art 20 and whether the encumbrance on use that plain packaging provides can be considered to be justified or not. Stoll et al suggest that the purpose of art 20 is to prevent attempts by developing nations to improve the position of their domestic industries in comparison to the economic and psychological dominance enjoyed by foreign trade marks. Although Article 20 has been considered in that context (*Indonesia — Certain Measures Affecting the Automobile Industry* WT/DS54/R, 2 July 1998, which concerned the provision of benefits to "national cars" which had to carry new marks rather than existing brands) the wording of the Article goes wider. The Article itself provides three examples of possible special requirements, namely: use with another trade mark (known as 'linking'); use in a special form that is detrimental to the capability to act as a distinguishing mark; and use in a special manner that is detrimental to the distinctiveness of the mark. Arguably the plain packaging requirements as they relate to the form of words mark would fall into the second example.

The wording of art 20 suggests three requirements need to be met: first, that there is a "special requirement"; secondly, that the special requirement encumber use of the mark; and, finally, that the encumbrance be justified. In relation to the first requirement that is clearly met here; the plain packaging requirements are requirement in the sense that they are mandatory. The term "special" has been considered in relation to art 13 by the dispute-settlement panel and defined as "having an individual or limited application or purpose". Thus, "a requirement applicable only or primarily to tobacco packaging can be expected to fall" within the definition of "special" adopted (Gervais at [35] and [36]; and *United States — Article 110(5) of the Copyright Act* WT/DS160/R, 15 June 2000).

That the plain packaging requirements would be an encumbrance can hardly be disputed; the restrictions on word marks and effective prohibition on non-word marks ultimately encumbers the use of the mark by its owner and prevents the marks from operating to distinguish the goods or services of the owner from the goods or services of competitors. Of course it can be argued that consumers will still ask for particular brands by name and so the risk of confusion is actually quite limited. However, were that the

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case then that would raise questions about the purpose of packaging requirements; if consumers do not respond to the marks in choosing tobacco products then restrictions on them have little point.

That leaves the final question to be resolved, which is that of whether the encumbrance can be said to be 'justified'. How would the WTO panel address the question of justification? Although there have been no decisions of the panel that have specifically considered the question of justification under Article 20 (the question not needing to be answered in the *Indonesia Automobile* report), the question of justification (often equated with necessity) has been considered in relation to other provisions such as the GATT art XX (*United States — Import Prohibition of Certain Shrimp and Shrimp Products*, Appellate Body Report, WT/DS58/AB/R). The emphasis has been on questions of the legitimacy of the policy objective and the effectiveness of the proposed measures (as well as whether there are alternative means, which is an argument that is properly limited to the question of necessity).

Perhaps the most relevant report is that of the Appellate Body in *Brazil — Measures Affecting Imports of Retreaded Tyres* WT/DS332/B/R, 3 December 2007, which considered a ban on the importation of retreaded tyres in order to reduce the health risks arising from the accumulation of waste tires. One of the questions before the Appellate Body was whether

the ban could be justified under art XX(b); the Body noted that for a ban to be justified it needed to be satisfied that it brought about "a material contribution to the achievement of its objective" (at [151]). Accordingly, in order for plain packaging to be justified it will need to be established that it will make a contribution towards the reduction of tobacco consumption. If that hurdle is overcome then there is no question that the plain packaging requirements will be TRIPS-compliant.

CONCLUSION

As has been seen, the Prime Minister's confidence in relation to the legality of plain packaging requirements for tobacco products in terms of New Zealand's international intellectual property obligations may be a little optimistic; but is probably not far off. The tenor of the TRIPS Agreement and the Paris Convention is to protect the rights of trade mark holders, including rights to use. That is specifically expressed in art 20 of TRIPS. However, that article does allow for encumbrances, such as those that the plain packaging requirements would impose, provided that the encumbrance is "justified". Provided that the evidence supports the argument that plain packaging will reduce tobacco consumption then New Zealand will avoid breaching its international obligations. □