The Effect of Non-IP Laws on IP Rights
Focus on Recent Laws on Plain Packaging for the Tobacco and Alcohol Industry and Exhaustion of IP Rights

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INTRODUCTION
What is Plain Packaging? ("Standardised packaging")

- a prescribed shape, size and colour of packaging
- a prohibition of all branding and promotional elements (100% AU)
- no graphical elements allowed to use (100% AU)
- a prescribed plain display of the brand name
- no product view
100 % plain packaging goes beyond the advertising restrictions and packaging and labeling prescriptions relating most commonly to tobacco, alcohol, food and pharmaceutical products.
WHO - 2003 Framework Convention on Tobacco Control

• Countries have a right to impose restrictions in order to promote public health objectives

• Should be 50% or more of the principal display areas, but shall be no less than 30% of the principal display areas
EU Tobacco Products Directive (2001/37/EC)

- **2010** - proposal to require plain packaging
  - AIPPI made submissions against, noting its concerns that this could lead to restrictions for trademarks on other products
- **2012** - option for member states to introduce
- **2014** - Directive entry into force in May 19 (2014/40/EU)
  - Member States - 2 Years to be transposed
EU Tobacco Products Directive 2014/40

- Requires that health warnings appear on packages of tobacco and related products. Combined (picture and text) health warnings must cover **65% of the front and back of cigarette and roll-your-own tobacco packages**, 

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To Drive or not to Drive (Plain Signage)
To Know or not to Know (Plain Confusion)

- Almighty Store Clerks
- Powerless Consumers
- Hidden Products
- Vanishing Fame
- Poor Quality Control

- Plain Confusion  +%
- Plain Information  -%
- Plain Decisions  -%
- Plain Competition  -%
- Plain Distinctiveness  -%
CASE STUDY: AUSTRALIA
Australian case study: Timeline

Reporting on health effects of smoking

Rotational health warnings

Graphic health warnings

Plain packaging legislation

1960s

1970s

1980s

1990s

2008

2010

2011

2012

• Textual health warnings
• TV/radio advertising based

All media advertising banned

Plain packaging announced

• High Court challenge fails
• Implementation of plain packaging
Australian case study: Tobacco Plain Packaging Act 2011

- Objects:
  - Improve public health
  - To give effect to obligations under the Convention on Tobacco Control
  - To be achieved by:
    - Reducing the appeal of tobacco products
    - Increasing the effectiveness of health warnings
    - Reducing the ability of packaging to mislead consumers
The Australian case study: Retail packaging

**Physical features**
- No decorative ridges, embossing, etc
- Prescribed shape, dimensions and materials

**Colour and finish**
- All outer/inner surfaces must be a matt finish
- All outer surfaces in Pantone 448C
- All inner surfaces white
- Exceptions for health warnings, brand etc and variation name

**Prohibition on trade marks**
- No trade marks / marks other than brand, business or company name and variant name

**Requirements for brand, business, company, variant name**
Brand etc and variant name must be printed:
- in specified size, font and position
- in Pantone Cool Gray 2C
- measurement marks similarly prescribed (font, size, position etc)

**Other requirements**
- Wrappers must be clear plastic
- No inserts/onserts
- No noise or scent
- Appearance must not change after sale
Australian case study: Effect of non-use of trade marks for tobacco products

• Despite prohibition on use:
  • trade marks may still be registered – applicant taken to intend to use in Australia in relation to tobacco products
  • TPP Act does not render use of a trade mark contrary to law
  • fact of prevention of use does not render it reasonable/appropriate not to register or to revoke a trade mark
  • a tobacco trade mark cannot be removed from the Register for non-use, provided that the registered owner would have used the trade mark but for the TPP Act
• Trade Marks Amendment (Tobacco Plain Packaging) Act:
  • Regulations made under the Trade Marks Act (TMA) in relation to plain packaging prevail over the TMA to the extent of any inconsistency
Australian case history: Acquisition of property on just terms

• TPP Act section 15(1):
  – ‘This Act does not apply to the extent (if any) that its operation would result in an acquisition of property from a person otherwise than on just terms’

• Australian Constitution - section 51(***i):  
  – ‘The Parliament shall…have power to make laws…with respect to…the acquisition of property on just terms from any State or person for any purpose in respect of which the Parliament has power to make laws’
### Australian case study: High Court of Australia decision

<table>
<thead>
<tr>
<th>Are trade mark rights 'property'?</th>
<th>Does the TPP Act 'take' property.*</th>
<th>Does the TPP Act confer a benefit?*</th>
<th>Does the TPP Act result in an acquisition of 'property'?</th>
</tr>
</thead>
<tbody>
<tr>
<td>✓</td>
<td>✓</td>
<td>X</td>
<td>X (6:1)</td>
</tr>
</tbody>
</table>

• *'Taking involves a deprivation of property seen from the perspective of its owner. Acquisition involves receipt of something seen from the perspective of the acquirer.’ (French CJ, para 42)
### Australian case study: Plain packaging since 2012

<table>
<thead>
<tr>
<th></th>
<th>Government says</th>
<th>Tobacco says</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Tobacco consumption</strong></td>
<td>• Tobacco expenditure lowest ever recorded&lt;br&gt;• Tobacco consumption since PP ↓ 12.8%</td>
<td>• Expenditure has reduced, not consumption&lt;br&gt;• Tobacco sales increased by 0.3% in 2013</td>
</tr>
<tr>
<td><strong>Smoking rates</strong></td>
<td>From 2010 to 2013: significant decrease</td>
<td>No acceleration in long-term decline in smoking rates</td>
</tr>
<tr>
<td><strong>Illicit tobacco</strong></td>
<td>• No significant increase in purchase of cheap or illegal tobacco&lt;br&gt;• Customs: PP has had no effect on tobacco smugglers</td>
<td>• Tobacco black market grown by 30% since PP</td>
</tr>
</tbody>
</table>
THE WORLD PICTURE
Australia
Plain packaging implemented in 2012
5 WTO Panels in progress

New Zealand
Plain packaging legislation to be introduced to parliament. Waiting for AU WTO challenges

India
Ministry will deliberate on plain packaging

South Africa
Ministry of Health intends to introduce plain packaging

Turkey
Currently working on plain packaging regulations

Thailand
Draft legislation which will permit plain packaging

Canada
Previously considered plain packaging (1994-1996)
November 2012 Health Canada stated there are no plans to move forward with plain packaging

Ireland
Legislation just approved

United Kingdom
Legislation just approved

Norway
Considering plain packaging

Belgium
Health Minister has expressed support for plain packaging

France
Plain packaging bill failed to pass parliament in 2010
New health minister will fight for ‘neutral packaging’

Lithuania
Plain packaging proposal rejected (2009-2010)

Brazil
Ministry of Health intends to introduce plain packaging

Uruguay
Legislation in progress

Mexico
Legislation in progress

Argentina
Legislation in progress

Chile
Legislation in progress

Ecuador
Trademark restriction after Patent expiration (medicine)
Decree 522’

Key:
Plain packaging in force
Plain packaging in contemplation
Plain packaging previously considered and rejected
EU directive
Pharmaceutical patents
Tobacco Labelling Restrictions (Thailand)

- **2010**: Draft Tobacco Consumption Control Act released for consultation; ultimately unsuccessful.
- **2014**: Draft Tobacco Products Control Act (TPCA) signed by Thai Ministry of Public Health.
- **2015**: Draft TPCA submitted to Cabinet on 13 January.
  - **Plain packaging?** Section 37 of the Draft TPCA: ‘…The law on intellectual property shall not apply to the display of the Package under this Section.’
WTO CHALLENGES
WTO Challenges – 2015 Current Status

- 5 Complainants vs. 1 Defendant (AU):
  - Cuba, Dominican Republic, Honduras, Indonesia, Ukraine vs. Australia
- 36 Third Parties
- Panel composed (5 May 2014)
  - Alexander Erwin, Francois Dessemontet, Billie Miller
  - Decision + Appeal (2016)
10 October 2014: Chair of the panel informed that the panel expects to issue its final report to the parties not before the first half of 2016.

in accordance with the timetable adopted by the panel on 17 June 2014 on the basis of a draft timetable proposed by the parties.
## WTO Challenges – Ukraine

### Key facts

<table>
<thead>
<tr>
<th>Short title:</th>
<th>Australia – Tobacco Plain Packaging (Ukraine)</th>
</tr>
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<tbody>
<tr>
<td>Complainant:</td>
<td>Ukraine</td>
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<tr>
<td>Respondent:</td>
<td>Australia</td>
</tr>
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<td>Third Parties:</td>
<td>Argentina; Brazil; Canada; Dominican Republic; Ecuador; European Union; Guatemala; Honduras; India; Indonesia; Japan; Korea, Republic of; New Zealand; Nicaragua; Norway; Oman; Philippines; Singapore; Chinese Taipei; Turkey; United States; Uruguay; Zambia; Zimbabwe; Chile; China; Cuba; Egypt; Malaysia; Mexico; Moldova, Republic of; Nigeria; Peru; Thailand; Malawi</td>
</tr>
<tr>
<td>Request for Consultations received:</td>
<td>13 March 2012</td>
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</table>
### WTO Challenges – Honduras

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</tr>
<tr>
<td>Agreements cited</td>
<td>Intellectual Property (TRIPS): Art. 2.1, 3.1, 15.4, 16.1, 20, 22.2(b), 24.3 Technical Barriers to Trade (TBT): Art. 2.1 GATT 1994: Art. III:4</td>
</tr>
<tr>
<td>Request for Consultations received</td>
<td>4 April 2012</td>
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</tbody>
</table>
## Key facts

### Short title:
Dominican Republic

### Complainant:
Dominican Republic

### Respondent:
Australia

### Third Parties:
Argentina; Brazil; Canada; Chile; European Union; Guatemala; Honduras; India; Japan; Korea, Republic of; Malaysia; Mexico; New Zealand; Nicaragua; Norway; Philippines; Russian Federation; Singapore; Chinese Taipei; Thailand; Trinidad and Tobago; Turkey; Ukraine; United States; China; Nigeria; Indonesia; Peru; Saudi Arabia, Kingdom of; South Africa; Cuba; Uruguay; Zimbabwe

### Agreements cited:
- Intellectual Property (TRIPS): Art. 2.1, 3.1, 15.4, 16.1, 20, 22.2(b), 24.3
- Technical Barriers to Trade (TBT): Art. 2.1, 2.2
- GATT 1994: Art. III:4

### Request for Consultations received:
18 July 2012
### WTO Challenges – Cuba

#### Key facts

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<td>Complainant:</td>
<td>Cuba</td>
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<tr>
<td>Respondent:</td>
<td>Australia</td>
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<td>Request for Consultations received:</td>
<td>3 May 2013</td>
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WTO Challenges – Indonesia

### Key facts

| Short title: | Australia — Tobacco Plain Packaging (Indonesia) |
| Complainant: | Indonesia |
| Respondent: | Australia |
| Third Parties: | Brazil; Canada; China; Cuba; European Union; Guatemala; Honduras; India; Japan; Korea, Republic of; Malaysia; Mexico; New Zealand; Nicaragua; Norway; Oman; Philippines; Russian Federation; Chinese Taipei; Thailand; Turkey; Ukraine; United States; Uruguay; Zimbabwe; Dominican Republic; Peru; Singapore; Argentina; Chile; Malawi; Nigeria |
| Agreements cited: (as cited in request for consultations) | Technical Barriers to Trade (TBT): Art. 2.1, 2.2  
Intellectual Property (TRIPS): Art. 2.1, 3.1, 15.4, 16.1, 16.3, 20, 22.2(b), 24.3  
GATT 1994: Art. Ill:4 |
| Request for Consultations received: | 20 September 2013 |
• 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.
TRIPS Art 15
Protectable Subject Matter

• 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.

• [...] Members may make registrability depend on distinctiveness acquired through use. Members may require, as a condition of registration, that signs be visually perceptible.
TRIPS Art 15(4) (also Art 7 Paris Convention)

- Nature of goods or services shall not form an obstacle to registration
TRIPS Art 16
Rights conferred

• The owner of a registered trademark shall have the exclusive right to prevent all third parties not having the owner’s consent from using in the course of trade identical or similar signs for goods or services which are identical or similar to those [USED] in respect of which the trademark is registered where such use would result in a likelihood of confusion [WITH OTHER’S USE]. In case of the use of an identical sign [USED BY OTHER] for identical goods or services, a likelihood of confusion shall be presumed.
To Know or not to Know (Plain Confusion)

• What Happens to Well-Known Marks?

  16 2. In determining whether a trademark is well-known, Members shall take account of the knowledge of the trademark in the relevant sector of the public, including knowledge in the Member concerned which has been obtained as a result of the promotion of the trademark.

  • USE: 86 matches

• Joint Recommendation Concerning Provisions on the Protection of Marks, and Other Industrial Property Rights in Signs, on the Internet (2001)
  • USE: 394 matches
• **Limited exceptions** to trademark rights may be imposed provided that legitimate interests of trademark owner and third parties are taken into account

• Remember Article 8 - Principles
  
  • “such measures are consistent with the provisions of this Agreement”
• 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.
• the right holder shall be paid adequate remuneration in the circumstances of each case
Art. 2.2

Members shall ensure that technical regulations are not prepared, adopted or applied with a view to or with the effect of creating unnecessary obstacles to international trade.

For this purpose, technical regulations shall not be more trade-restrictive than necessary to fulfil a legitimate objective, taking account of the risks non-fulfilment would create.

(LACK OF DISTINCTIVENESS – SLEEPWALKERS…)
AIPPI POSITION
Social policy may justify certain advertising restrictions, but:

- should not constitute any **obstacle to the acquisition** of trademark rights for the relevant goods or services
- should not constitute an independent ground for any action for **cancellation of a trademark registration**
- does not justify that the **reputation, or the degree of distinctive character based on use**, attaching to a trademark effective for the products or services affected by the restriction on advertising in question, be assessed in any other manner than is generally applicable to trademarks.
1. The use of a trademark by a trademark right holder on products or packaging thereof should in principle not be restricted in the sense contemplated by plain packaging.
2. Exceptionally such use may be restricted for public interest reasons, if:

i. It is **documented** that such public interest reason exists and the restriction at issue will likely have the intended effect; and

ii. The **restriction is neither disproportionate, nor unreasonable** (and there are thus no reasonable alternatives); and

iii. The public interest reason outweighs other interests
   • the interest of consumers to **distinguish** products,
   • the interest in limiting trade in **counterfeit** goods,
   • the interest in **legal certainty** and
   • the interest of trademark right holders to protect their **investment** in trademarks registered or acquired in good faith and lawfully.
3. A restriction in the sense contemplated by plain packaging should not constitute an obstacle to an application to register or registration of a trademark, for those products, nor should it constitute a ground for cancellation.

4. Non-use or limited use of a trademark by reason of plain packaging should not provide a basis for cancellation of a registered trademark under Article 5C Paris Convention.
BEYOND TOBACCO?
Promoting lessons from tobacco

Australia's plain tobacco packaging

The eyes of the world are on Australia in the battle over plain cigarette packaging. Last November, the Australian Government passed the Tobacco Plain Packaging Act 2011. The Act requires tobacco products to be sold in plain packaging from December, 2012, which means removing colourful branding—the key marketing tool used in plain packaging is significantly less appealing than branded packaging, and can avoid avoidance behaviours in young adult smokers. As expected, the Act has been attacked by several tobacco companies, including a legal challenge in Australia— they can also intimidate other countries that might be contemplate court battles with the tobacco industry.

Encouragingly, the watershed moment for global tobacco control eventually came on Aug 15, when Australia's High Court dismissed the legal challenge against plain packaging. This landmark decision was warmly applauded by WHO, which expects “a domino effect for the good of public health”.

Like many other milestone tobacco-control legislations such as pictorial warnings on tobacco packets, first adopted by Canada in 2001, and workplace smoking bans, first introduced in Ireland in 2004, Australia's lead in plain packaging will inevitably be followed by many other countries. Indeed, the UK, Norway, New Zealand, Canada, India, and South Africa are already considering taking such measures. Furthermore, the valuable lessons learnt in the fight against tobacco can be taken on board in countering the rampant marketing of alcohol and fast food.

Australia's victory also confirms that countries can successfully challenge the tobacco industry. This message is particularly important for low-income and middle-income countries such as China, which has the largest tobacco industry and where cigarette packs do not even carry a pictorial warning. The tactics needed to fight the battle against tobacco are known, but it is strong political leadership in implementation that will ultimately achieve the goal.

“Valuable lessons learnt in the fight against tobacco can be taken on board in countering the rampant marketing of alcohol and fast food.”
- The Lancet (25 August 2012)
“If our health system can't cope with the increasing incidence of lifestyle-related diseases, it's something we will have to consider as an option. The levels of intervention need to become stronger. Ultimately, it may come to plain packaging.”

- Courier Mail (16 July 2013)
India urges WHO to set up mechanism to curb drinking

NEW DELHI: India has proposed to the World Health Organization (WHO) to set up a framework for control of alcohol consumption on the lines of the WHO Framework Convention on Tobacco Control (WHO FCTC).

FCTC was the first international treaty negotiated under the auspices of WHO that was developed in response to the globalization of the tobacco epidemic.
Alcohol Labelling Restrictions (Thailand)

- Alcoholic Beverages Control Act 2008 (ABCA)
- **January 2014**: draft Notification to prohibit certain messages on alcohol labels
- **August 2014**: revised draft Notification issued to include mandatory graphic health warnings on alcohol products
- **December 2014**: final version of Notification signed
  - Graphic health warnings out; ban on certain messages remains
CONCLUSION
QUESTIONS?
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