



European Communities Trade Mark Association

24 March 2014

NEW ZEALAND PARLIAMENT BILL PLAIN PACKAGING FOR CIGARETTES

1. INTRODUCTION

- 1.1 This submission for the consideration of the Select Health Committee of the New Zealand Parliament is presented by the European Communities Trade Mark Association ('ECTA') of Rue des Colonies 18/24, 9th Floor, Brussels, Belgium.
- 1.2 ECTA is a non-profit organisation whose membership includes lawyers and attorneys practising in the fields of trade marks and designs in the European Union, and also in some 61 countries of the world, including Australia and New Zealand. ECTA's members have a wide range of experience and expertise in these fields.
- 1.3 In the interests of transparency, ECTA wishes to mention that, among its membership which embraces people from a very considerable range of industries, a very small number of its Members are employed in-house attorneys and lawyers in tobacco companies. Subject only to this, ECTA does not have any links to, and does not receive any funding from, any part of the tobacco industry.
- 1.4 ECTA emphasises that it fully understands the dangers to health involved in smoking, and the need for governments and other regulators to introduce appropriate measures to bring those dangers to the notice of the public and to discourage people of all ages from smoking or continuing to smoke tobacco products. Such measures include, and have already for many years included, bans on advertising of tobacco products, requirements for placing very large, prominent and clear health warnings on packaging of such products and prohibitions of the display to the public of tobacco products on retail premises.
- 1.5 ECTA's concern in presenting this submission is in particular with the impact that that any law imposing requirements for 'plain' or 'standardised' packaging for tobacco products would have on established and valuable intellectual property rights, including registered and unregistered trade marks lawfully acquired by the businesses concerned. Intellectual Property rights such as trade marks, among other rights, are the foundation and indeed the corner-stone of industry throughout the world.

2. HISTORY REGARDING PLAIN PACKAGING

- 2.1 As is well-known, the first laws requiring plain packaging for tobacco products are those passed by the Australian Parliament, which came into effect on the 1st December 2012. Those laws are the Australian Tobacco Plain Packaging Act 2011 and its implementing Regulations, and the Trade Marks (Amendment) (Tobacco Plain Packaging) Act 2011.
- 2.2 Although a challenge to the Australian law, by tobacco companies, was rejected by the Australian High Court, that law remains the subject of outstanding challenges

before the WTO, arising from complaints made by Ukraine (DS434), Honduras (DS435), the Dominican Republic (DS441), Cuba (DS 458) and Indonesia (DS 467). These disputes are in particular concerned with certain provisions of the Agreement on Trade-Related Aspects of Intellectual Property Rights (Annex 1C of the Marrakesh Agreement Establishing the World Trade Organisation), known as 'TRIPS', and also some provisions of the Technical Barriers to Trade ('TBT') Agreement. New Zealand is a party both to TRIPS and the TBT Agreement.

- 2.3 ECTA's concerns about proposed plain ('standardised') packaging laws in general and, in presenting this submission, the New Zealand Parliament's proposed legislation to introduce standardised packaging legislation, relate in particular to trade marks. As already stated, the essence of 'standardised' packaging is the prohibition of the use of all trade marks of any nature, with the exception of a 'brand name', a business or company name for the products, and any variant name of the products, in small lettering of a standard typeface and colour.
- 2.4 One aspect of the matter which is of particular concern to ECTA and others relates to the procedures followed in New Zealand leading up to the proposed legislation. Part Three of the Departmental Disclosure Statement deals with "Consistency with New Zealand's International Obligations". It is stated that the purposes of the legislation include "helping give effect to New Zealand's obligations under the WHO Framework Convention on Tobacco Control". But nowhere in the Disclosure Statement is there any reference whatever to New Zealand's obligations under other international Agreements, in particular the Paris Convention, the Agreement on Trade-Related Aspects of Intellectual Property Rights ('TRIPS') which is Annex 1C of the Marrakesh Agreement Establishing the World Trade Organization, signed on 15 April 1994, and the Technical Barriers to Trade Agreement ('TBT'), also administered by the WTO which entered into force in 1995. These two Agreements, to which New Zealand is a party, have a direct relevance to the proposed legislation.

3. PROTECTION OF TRADE MARKS IN NEW ZEALAND

- 3.1 Protection of trade marks by registration in New Zealand is governed by the Trade Marks Act 2002. For present purposes, it is only necessary to refer to a few provisions of that Act.
- 3.2 Section 7, which comprises definitions of terms used in the Act, provides that a trade mark must be a 'sign', meeting certain requirements, and 'sign' is defined as including "a brand, colour, device, heading, label, letter, name, numeral, shape, signature, smell, sound, taste, ticket or word". This definition covers a wide variety of signs, covering trade marks that may be and are registered by tobacco companies for their products.
- 3.3 Section 9 (1) of the 2002 Act provides that a registered trade mark is personal property. Under s.12(2) an application for registration of a trade mark is also personal property. Section 10 defines the rights attached to registered trade marks. In particular the owner has the exclusive right to (a) use the registered trade mark, (b) authorise other persons to use the registered trade mark and (c) assign or transmit the registered trade mark. The last mentioned provision is entirely consistent with the concept of registered trade marks as rights of property.

As property, registered trade marks can be used as security for financing. There are instances where this has occurred in New Zealand, with Financing Statements filed under the Personal Property Securities Act 1999.

- 3.4 As already indicated, the principal concerns raised by the New Zealand Government's proposed legislation arise because of the impact of those proposals on trade mark rights, and also on related rights such as are protected for example in common law countries such as New Zealand and the UK, by the laws of passing off, and elsewhere by unfair competition laws. There are other subsidiary but none the less important concerns, in particular about the impact that the proposals could have in other areas, such as the counterfeiting of tobacco products and the trade in counterfeit and contraband tobacco products. Moreover, plain packaging laws for tobacco products would set a dangerous precedent in other areas of industry, where products may be said to be harmful to health.
- 3.5 Another law which is only briefly mentioned in the Departmental Disclosure Statement (section 3.3) is The New Zealand Bill of Rights Act 1990 which, by s 14, guarantees freedom of expression: *"Everyone has the right to freedom of expression, including the freedom to seek, receive, and impart information and opinions of any kind in any form"*. A fundamental purpose of a trade mark is to inform consumers as to the trade source of a product. The proposed law would have a direct impact on the freedom of tobacco traders to use their trade marks to impart information to the consumers, so that they may know where the products come from and be reassured as to the quality of the products that they wish to purchase. It would appear that this important aspect of s 14, as applied to trade mark rights in particular, was not sufficiently addressed in the Legal Advice dated 6 December 2013 prepared for the Attorney-General.

4. THE NATURE AND FUNCTION OF TRADE MARKS

- 4.1 The comment in the previous paragraph reflects the true nature of a trade mark. The function of a trade mark, whether registered or unregistered, has been internationally recognised for years. A trade mark is the means by which its owner distinguishes his goods or services from those of other undertakings. Without the ability to use established trade marks, the owner loses the possibility of identifying goods or services as his, as opposed to goods or services of others, and consumers are deprived of the essential means for making their choice in selecting products for purchase.
- 4.2 Registered trade marks are universally recognised worldwide as rights of property. The provisions of the New Zealand Trade Marks Act 2002, already mentioned, accord with this principle.
- 4.3 In New Zealand, as also in the UK, unregistered trade marks may also be protected under laws relating to passing off. The action for passing off has been developed by the courts over a very long time, to protect the goodwill in a business against damage caused by misrepresentation by another trader, to the effect that his goods or services are those of, or are connected with, the owner of the business concerned. Typically, such an action may be available where a trader uses, in his business, a trade mark or trade name that is identical or similar to that used in the business of another trader, even where such mark or name is not registered as a trade mark. The goodwill in a business is universally recognised as a property right of the business.
- 4.4 It is universally accepted that registered trade marks, and goodwill of businesses in which trade marks are used, have very great value for their proprietors, built up over periods of many years, and representing a considerable investment.

This applies to the tobacco industry as much as to any other industry. As already noted (paragraph 3.3), such rights can be used as security, and any diminution in their value, such as would result from the proposed legislation, could have very serious consequences for industry.

- 4.5 Although on the basis of the Australian Constitution the Australian High Court rejected the challenge to the plain packaging law adopted in Australia because the Government had not “acquired” the property rights of the tobacco companies, the Court did hold that there was a deprivation of property rights. It is submitted that the effect of the proposed law in New Zealand would be to deprive tobacco companies of their lawfully acquired property rights.

5. NEW ZEALAND’S TREATY OBLIGATIONS

The Paris Convention and the TRIPS and TBT Agreements

- 5.1 The earliest international treaty for the protection of intellectual (previously ‘industrial’) property rights is the ‘Paris Convention’ - the Paris Convention for the Protection of Industrial Property of March 20, 1883, as subsequently amended. In particular, Article 7 provides that the “nature of the goods to which a trademark is to be applied shall in no case form an obstacle to the registration of the mark”. Therefore, a trade mark cannot lawfully be denied the protection of registration on the basis of the nature of the product for which it is used or to be used. TRIPS repeats this provision in Article 15.4.

- 5.2 The TRIPS Agreement does make specific provisions relating to public health matters. Article 8.1 provides as follows (with emphasis added):

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

The italicised words are of particular importance. Any proposals put forward on public health grounds must not be inconsistent with any of the other TRIPS provisions, including those which are specifically concerned to maintain the protection of validly acquired intellectual property rights.

- 5.3 Such provisions include not only Article 15.4, referred to above, but also Article 20 (‘Other Requirements’), which is of particular relevance to the contemplated plain packaging law. This provides as follows:

“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.”

- 5.4 Article 20 is of particular importance when considering whether standardised packaging laws, such as the current proposals in New Zealand, are lawful. Its very terms import a right to use a validly registered trade mark for the goods covered by the registration. It applies to all trade marks, not just ones that consist of a plain brand name or variant name. The capability of a trade mark to distinguish the proprietor’s goods or services from those of other traders is of the essence of a trade mark. This is important for consumers as well as for trade mark proprietors because, as already mentioned, trade marks provide the means for consumers to select and acquire the products that they want.

If use of any trade mark, at least for a lawful product, is prohibited, or if a trade mark is made ineffective for the purpose of distinguishing the proprietor's goods or service by reasons of requirements which lead to its total or substantial obliteration, then there would be a breach of Article 20, which could not be justified under Article 8.1. Moreover the general prohibition against use being "encumbered by special requirements" would also be breached by standardised or plain packaging laws such as proposed in New Zealand.

- 5.5 The TBT Agreement, referred to in the complaints mentioned in paragraph 2.2 contains, in Art 2.2, a provision requiring Members to "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". It is submitted that the provisions of the proposed New Zealand law requiring 'plain packaging' do amount to 'technical regulations' and that they are clearly obstacles to international trade, in they prevent tobacco products lawfully made and packaged in other countries from entering New Zealand. Although there is an exception for the 'protection of human health' Article 2.2, when read as a whole, seems clearly to require evidence to support the exception relied upon.

6. CONCLUSIONS

- 6.1 Tobacco companies, like any other business, use and register a large number of trade marks, for the purpose of preventing infringement by other traders, which would be damaging to their businesses and could have the effect of denying the right of consumers to select and acquire the products that they want. As already indicated, such trade marks include not only 'brand names' (usually comprising a word or words), numerals, or a combination of words and numerals, sometimes in plain letters and numbers, but often in stylised forms or letters and numbers) but also logos and other insignia, and representations of the whole or of one or more faces of the packets containing the products. All such marks must, in order to qualify for registration, be capable of distinguishing the products concerned from those of other traders. Even where a mark is not registered, its use over a period of time is a factor in the creation of goodwill, protected under the laws of passing off mentioned above.
- 6.2 As explained above, plain packaging laws amount to a deprivation of property rights, such as registered trade marks in New Zealand are accepted to be. To a very considerable extent, the proposed plain packaging law would prohibit any use of the tobacco companies' trade marks at all. Even in the case of the 'brand name', the permitted use would be confined to the name in very small standardised lettering, with the result that registrations of those names would have little or no real value because the property rights that they are could not be enjoyed in any real sense.
- 6.3 In this submission ECTA has not specifically addressed the public/general interest aspects. As stated, ECTA accepts that smoking is harmful, and indeed dangerous to health. However it is in any event for governments to justify, by cogent evidence, any claim that the measures proposed would have any meaningful effect in preventing people from taking up smoking, or continuing to smoke, over and above any effects achieved by existing bans on advertising and display in retail premises, and by increasingly prominent health warnings.
- 6.4 The other aspect which must be considered is the risk that plain packaging may create an increase in the already significant prevalence of trade in counterfeit and contraband cigarettes. Concern in this respect has been expressed by many organisations, including the police and other enforcement agencies.

It seems likely, with the increased availability of cheap printing materials and methods, and with the removal of almost all trade mark matter from cigarette packets, that counterfeiting and dealing in illicit tobacco products would be significantly facilitated. There is already some evidence in Australia, that plain packaging is having such effects.

- 6.5 A final point concerns the timing of the proposed legislation. First of all, it is much too early to be able to form any meaningful view as to whether plain packaging in Australia will, by itself and over and above other factors such as enlarged health warnings and higher taxes, have any material effect in dissuading people from taking up smoking, or encouraging them to cease smoking. Secondly, the Australian law is, as mentioned, under challenge before the WTO with reference to the TRIPS and TBT Agreements. In the event that the WTO upholds the complaints, the likely consequence would be that the proposed New Zealand legislation would also be unlawful. It is noted that the Prime Minister of New Zealand has stated on at least two occasions that plain packaging legislation would not be enacted until the fate of the Australian legislation is determined. There is much to be said, in any event, for awaiting the outcome of the WTO challenges, as well as allowing more time to assess the effect or otherwise of the Australian law.
- 6.6 For the reasons given, ECTA submits that the proposed legislation before the New Zealand is in conflict with the property rights of trade mark owners – in this instance the tobacco companies – and with the international treaty obligations of New Zealand.
- 6.7 In view of the importance of the issues discussed in this submission, ECTA would be prepared to appear before the Select Health Committee, by video conference if appropriate, to explain further the objections to the proposed legislation, and respectfully request that it be given the opportunity to do so.