Plain Packaging on tobacco products

Background

On 7 November Trevor Stevens of Davies Collison Cave wrote to us drawing our attention to the National preventative task Force report Australia, the healthiest Country by 2020. In particular he drew our attention to recommendation on page 23 which recommends mandatory plain packaging for cigarettes.

Note the taskforce has advertised it will be holding meetings in cities and rural centres until February, 2009. There is no indication on the website where these are.

Submissions closed 2 January 2009.

This was the first time IP Australia had been aware of the review or the report. At no time were we consulted.

The technical Paper Making smoking History was released on 10 October 2008. It recommends mandatory packaging requirements:

Plain packaging would prohibit brand imagery, colours, corporate logos and trademarks, permitting manufacturers only to print the brand name in a mandated size, font and place, in addition to required health warnings and other legally mandated product information such as toxic constituents, tax paid seals or package contents. A standard cardboard texture would be mandatory, and the size and shape of the package and cellophane wrapper would also be prescribed. A detailed analysis of current marketing practices[187] suggests that plain packaging would also need to encompass pack interiors and the cigarette itself, given the potential for manufacturers to use colours, banding, sand markings, and different length and gauges to make cigarettes more 'interesting' and appealing. Any use of perfuming, incorporation of audio chips or affixing of 'onserts' would also need to be banned.

Another recommendation (page 22 of technical paper) states that health warning should encompass 90% of the front of the package and 100% of the back.

This has implications for trade mark owners. However, the arguments are not new and have been put forward before when the government legislated to
Restrict tobacco advertising
Restrict point of sale advertising
Place health warnings on packets
Restrict the use of 'light' and 'mild'

Plain packaging was recommended in Australia in the mid 1990s. Australian Senate Community Affairs References Committee concluded that there was "not sufficient evidence to recommend that tobacco products be sold in generic packaging."

Australian trade marks
- 3000 trade marks for tobacco and tobacco products
- A short study shows approximately 1/3 include logos

Major local manufacturers
- British American Tobacco
- Philip Morris
- Major brand – Marlboro (Also owns Kraft foods)
- Imperial Tobacco

Issues
Is this recommendation compliant with our international obligations

The tobacco industry is arguing that mandatory plain packaging would be contrary to TRIPS, GATT and Paris:

TRIPS
- would be contrary to TRIPS
  - "The proposed ban unquestionably would constitute a 'special requirement' that would encumber the use and function of valuable, well known trademarks."  
    - Article 15(4) the nature of the goods ... shall in no way form an obstacle to registration
    - Article 20 a trade mark shall not be unjustifiably encumbered by special requirements detrimental to its capacity to distinguish the goods and services

Counter argument
"plain packaging is not concerned with encumbering the use of trademarks but with the sale of cigarettes as a product that is potentially harmful to the public. "the TRIPS obligation is conditional on public health (Article 8(1))
- Article 20 is not breached because the restrictions are justifiable on the grounds of public health
- The rights under TRIPS are so the trade mark owner can prevent all third parties form using their trade mark

1 Report of the Senate Community Affairs References Committee. "The tobacco industry and the costs of tobacco related illness." (December 1995)
PLAIN PACKAGING OF TOBACCO PRODUCTS (CIGARETTES)

**Purpose:** To inform you of the Government’s decision to introduce plain paper packaging for tobacco products as part of a broader program of health reforms in Australia.

**Background:** IP Australia has previously advised the Parliamentary Secretary on proposals for introducing plain packaging for cigarettes and other tobacco products (B10/1473 refers). This brief updates B10/1870 which previously advised you about the Government’s decision.

The Prime Minister announced on 29 April 2010 that the Government will introduce plain packaging for tobacco products as part of a broader program of tobacco-related health reforms.

DoHA has advised that it is proposed for this reform to commence on 1 July 2012 following research and analysis on how implementation is to be achieved. Implementation will likely be through amendments to legislation relating to advertising rather than the *Trade Marks Act 1995*.

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**Exempt**

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Mr Tim Wilson of the Institute of Public Affairs stated in the Australian newspaper on 30 April 2010 ([Attachment A](#)) that this initiative is contrary to international IP rules as it will **remove the capability of a trade mark to distinguish goods or services**.

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**Sensitivities:** Yes. Implementation of plain packaging for tobacco products may be seen as a restriction by trade mark owners on the ability to use their marks. This may result in tobacco companies challenging the Government’s legislation. DoHA has advised that they are aware of this risk. The tobacco companies may also question the supporting evidence for this initiative.

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Please find attached Talking Points ([Attachment B](#)) to guide you if your office is approached.

**Slipstream version: 30 April 2010**

| Robyn Foster (02 6283 2093 / 0413 458 155) | Consultation: Dept of Health and Ageing (DOHA) |
| General Manager | 
| Trade Marks and Designs Group | NOTED/PLEASE DISCUSS |
| IP Australia | 
| 30 April 2010 | 10/02/10 |
| Contact: Leo O’Keeffe (02) 6283 7929 | Kim Carr |

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IISR—in-Confidence
MEETING WITH MS ANNA STEFANATOS FROM PHILIP MORRIS LIMITED (PML)

Purpose: To provide you with background information for your meeting with PML.

Meeting Arrangements

Date: 23 September 2009
Time: 10:30 am - 11:30 am
Venue: 17A Yarra Street, Geelong
Present: Parliamentary Secretary Richard Marles, Ms Karyn Murray (Adviser), Ms Anna Stefanatos (Philip Morris Limited)

Recent Dealings: Mr James Arnold (Director Corporate Affairs, PML) met with Mr Ian Goss and Mr Leo O’Keeffe (IP Australia) on 17 September 2009.

Key Issues: The National Preventative Health Taskforce has recommended the introduction of plain packaging of tobacco packages. This would prohibit brand imagery, colours, corporate logos and trade marks from these products.

PML is concerned that:
- There is no evidence to support a link between plain packaging and the level of smoking.
- Brand owners will not be able to use their brands to distinguish their products and will have to use price differentiation which could result in tobacco products becoming cheaper.
- The illicit trade in tobacco products would increase.
- Acceptance would be contrary to international agreements such as TRIPS and the Paris Convention.
- Plain packaging would be a form acquisition of property.

The Government is yet respond to the Taskforce’s recommendations. Given the breath of the recommendations, a whole of government approach may be required.

IP Australia considers that plain packaging may not be consistent with Australia’s intellectual property treaty obligations (Attachment A). Whether or not a requirement of plain packaging would actually constitute an acquisition of property is debateable. However, that may not prevent tobacco companies from seeking compensation. Requiring plain packaging would make it easier for counterfeit products to be produced and would make it difficult to readily identify these counterfeit goods. IP Australia is not able to give an opinion on the likely rise in the level of counterfeiting.

IP Australia is not able to advise on whether there is a link between plain packaging and the level of smoking.

Plain packaging was considered in the United Kingdom and was not implemented.

Lobbyist Register: NO. Anna Stefanatos is the Regulatory Affairs Manager of Philip Morris Limited.
Plain Packaging and International Treaties

The first part of Article 20 of the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS) requires 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."

Requiring plain packaging would be regarded as encumbering the ability of an entity to distinguish its goods through its trade marks from those of other entities. IP Australia's understanding is that this Article was drafted with the intention of restricting mechanisms like plain packaging.

However, Article 8(1) of TRIPS allows for members to adopt measures necessary to protect public health. This Article could be seen as possibly allowing plain packaging as it could be regarded a necessary measure for protecting public health and therefore avoids the requirements of Article 20. But the final part of this Article stipulates that measures like this have to be consistent with the rest of the provisions of TRIPS. Therefore it seems unlikely that this Article could be used to avoid Article 20.

Other relevant articles are Article 7 of the Paris Convention for the Protection of Industrial Property (Paris Convention) and TRIPS Article 15(4). Article 7 states 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."

Article 15(4) of TRIPS is the same but extends to services as well. These articles would appear to make it difficult to restrict the ability of trade applicants to register trade marks for products like tobacco.
| TW24. | FOI 1336-1494 | various | Various Draft briefs and enclosures | Release in full:
FOI 1336-57
Release in full:
FOI 1359-62, FOI 1387-89, FOI 1396-98, FOI 1404-05 and FOI 1413-15
Release in full:
FOI 1365-72
Release in Part:
FOI 1472 – 1496 – s 42 |
| TW25. | FOI 1495 | 12 January 2010 | Draft letter to US Chamber of Commerce 2010-01-12 | Exempt:
FOI 1495 - s 33(1)(a)(iii) |
| TW26. | FOI 1496-1498 | various | 3 further draft letters to US Chamber of Commerce | Exempt:
FOI 1496-98 - s 33(1)(a)(iii) and or s 33(1)(b) |
| TW27. | FOI 1499-1506 | 2009 | First reading of Sen Fielding’s Bill 2009 | Release in full |
| **TW29.** | **FOI 1510** | **18 January 2009** | memo from M Arblaster to K Tipler on TRIPs legal issues saved 2009-02-16 | **Release in full** |
| TW30. | FOI 1511 | 14 May 2010 | file note by L O’Keeffe of meeting with Dr Dimtech from BAT 14-05-2010 | Release in full |
| TW32. | FOI 1516-1517 | January 2010 | Points (IP Australia summary) on Fielding Bill | Release in full |
| TW33. | FOI 1518 | 16 January 2009 | Text [sent to P Noonan by DPS] advising of IP Australia’s position on plain packaging | Release in full |
| TW34. | FOI 1519-1524 | 16 June 2009 | Summary on plain packaging by IP Australia - draft | Release in full |
| TW35. | FOI 1525-1570 | various | 9 further internal draft documents with mark up and comments | Release in full |
| TW36. | FOI 1571-1572 | 7 January 2010 | Email US Chamber of Commerce to DG of IP Australia | Release in part:
s 33(1)(b) and /or s 33(1)(a)(iii) |
Hi Karen!

Following from your comments yesterday about tobacco a few quick things come to mind. Hope they help in your research.

**Trips A 20.**
I'm not surprised that (was it Health?) are arguing that Article 20 is ambiguous - it suits their purposes for that. However:

- It is pretty clear from (people I've spoken to who were TRIPS negotiators and) the negotiation documents that this is exactly the issue that A20 was targeted at. You could look at the negotiating documents.
- "shall not be unjustifiably encumbered" - it is perhaps possible to argue that there is justification - but that is a long bow I think.
- "by special requirements such as ... use in a special form ... or use in a manner detrimental to capacity to distinguish". Perhaps if there is a uniform requirement that the trade mark will sit in the bottom quarter and otherwise the packet is blank it may be possible to argue that that space is where consumers will look. However, this is an argument that would need to be made rather than the other way around.

**WTO**
There was a WTO panel dispute last year (Indonesia defending against a US action). Whilst it related to branding for cars, it touched on Article 20 encumbrances.

My memory is that it suggested that anything that which precluded use of a trade mark (as alleged by the USA) would be a serious breach of A 20 but that was not supported by the facts of the case.

WT/DS54/R dated 2nd July 1998

**Paris Convention Article 7**
We would need to be careful that the provisions relating to advertising were not so comprehensive that "use would be contrary to law" or we would be forced to refuse registration in contravention of this article.

**EC and UK**
My memory is that the EC Health Regulation (sorry don't have the number) addresses this in some way that would preclude Europe from a "plain packaging policy".

The UK reviewed their policy last year with a Bill introduced in January this year. The Department of Health decided it was not practical (legal?) to introduce a plain packaging requirement and it is not I think in the Bill. I understand however, that it was raised in the debate in the House of Lords but that the Government are not supporting it.

The UK Bill is:
PLAIN PACKAGING OF TOBACCO PRODUCTS

SUBJECT

Mandatory plain packaging of tobacco products has been proposed in a private members bill by Senator Fielding, and as a recommendation made by the National Preventative Health Taskforce in its National Preventative Health Strategy, Australia: the healthiest country by 2020.

CURRENT SITUATION/ISSUES

What is involved in the proposals?

- Senator Fielding, proposed the Plain Tobacco Packaging (Removing branding from cigarette packs) Bill 2009 in August 2009. If enacted the Bill would:
  - prohibit the use of trademarks, logos and words other than a 12 point black Helvetica font listing the brand, number of cigarettes or the amount of tobacco in the package, and in 8 point size list the manufacturer or importer’s name; and
  - require cigarettes to be packaged in plain matt brown paper.
- The Taskforce proposes prohibiting brand imagery, colours, corporate logos and trademarks, and permitting manufacturers only to print the brand name in a mandated size, font and place, in addition to required health warnings etc.

Previous Senate and Government positions on plain packaging

- In 1995, the Senate Community Affairs References Committee concluded that there was insufficient evidence to recommend that tobacco products be sold in generic packaging.
- In 1997, the Government response:
  - agreed to further investigation of the efficacy of generic packaging as a means of enhancing the impact of package warnings; and
  - emphasised that any further regulation would need to be considered in the context of Australia’s international obligations, for example the Paris Convention and TRIPS.

Compliance issues

- Implementation of plain packaging in Australia raises controversial treaty and trade issues concerning the use of trademarks
- Some see the proposals as violating TRIPS and Paris including in terms of:
  - unjustified encumbrances which undermine a trader’s ability to distinguish their goods or services from others; and
  - abrogation or rejection of trademarks beyond what is permitted under, or in conflict with, these agreements.
- The Australia and US Free Trade Agreement (AUSFTA) also imposes obligations regarding how Australia treats US investments made in Australia.

Exempt
FYI, Leo will advise Edwina and Karyn and confirm any briefing requirements. Note the intent is to amend current tobacco legislation not the TMs act.

Regards
Leo O'Keeffe

Outcome of our meeting with DoHA. We met with Simon Cotterell (Asst Sec, Drug Strategy Branch) and Adrian White.

On Tuesday the Government will be announcing a number of health reforms. Included in this will be an announcement to introduce plain packaging for cigarettes.

The intention is that legislation will be developed to introduce this, but with further research, analysis and consultation to take place during the second half of the year. The Government is looking to have this in place by 1 January 2012.

DoHA will provide us with some Q&A’s after the announcement is made.

They are aware of the backlash likely from tobacco companies and the US Chamber of Commerce and the real likelihood that these might challenge any legislation in court.

Leo