

16C-1012

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Submission on Proposal to Introduce Plain Packaging of Tobacco Products in New Zealand

ASH Australia submission to: **tobacco@moh.govt.nz**
Subject: **Plain packaging consultation**

Submitter details

Do you have any direct or indirect links to the tobacco industry? **NO**

This submission was completed by: **Anne Jones OAM**

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Organisation: **Action on Smoking and Health (ASH) Australia
(NB: Not affiliated with ASH New Zealand)**

Submitting this as: **On behalf of organisation**

Your submission may be requested under the Official Information Act 1982. If this happens, the Ministry of Health will release your submission to the person who requested it. However, if you are an individual as opposed to an organisation, the Ministry will remove your personal details from the submission if you check the 'no' box:

Yes, I do give permission for my personal details to be released under the Official Information Act 1982

The public report on the consultation will seek to avoid prejudice to the commercial position of respondents who provide commercially sensitive information. Submitters are therefore asked to clearly indicate any information they wish to have treated as confidential commercially sensitive information.

No information in this submission is confidential.

General consultation questions

1. Overall, do you support or oppose the proposal to introduce plain packaging of tobacco products in New Zealand, as outlined in this consultation document?

SUPPORT

Comment:

We congratulate the New Zealand government on moving forward with plain packaging of tobacco products along with Australia. This policy is an important step in the process of eliminating all advertising from tobacco products, reducing their appeal to young people who are the industry's "new smokers", and reducing misleading information on the packaging.

2. Do you agree that plain packaging of tobacco products has the potential to:
- reduce the appeal of tobacco products?
 - increase the effectiveness of health warnings on tobacco packaging?
 - reduce the ability of tobacco packaging to mislead consumers about the harmful effects of smoking?
 - influence the attitudes and behaviours of children and young people?

YES

Comment:

A review of the independent evidence from the past two decades shows mandatory plain packaging of tobacco products is likely to:

- increase effectiveness of tobacco packet health warnings;
- prevent use of misleading and deceptive packaging to create false beliefs of different strength and quality;
- reduce youth smoking and decrease youth uptake; and
- remove positive association with cigarette brands/image.

Much of the key research on this issue has been carried out in New Zealand by its world-leading researchers.

Quit Victoria/Cancer Council Victoria (2011),
Plain Packaging of Tobacco Products: Review of Evidence at
www.cancer.org.au/File/PolicyPublications/Position_statements/TCUCCVBkgrndResrchPlainPak190511ReEnd_FINAL2.pdf

3. Do you agree that plain packaging of tobacco products would help to:
- discourage young people from taking up smoking?
 - encourage people to give up smoking?
 - help stop people who have quit smoking from relapse?
 - contribute to a reduction in smoking prevalence in New Zealand and reduce people's exposure to second-hand smoke?

YES

Comment:

See summary of evidence under 2. above.

4. If New Zealand does go ahead with plain packaging, is there any reason why a significantly different scheme might be necessary or desirable for New Zealand, compared to the scheme that has been introduced in Australia?

NO

Comment:

We recommend adopting the Australian model as a minimum as it may improve the effectiveness of both NZ and Australian policies if there is trans-Tasman consistency. Improving on plain packaging as part of a comprehensive tobacco control strategy is an important goal that we strongly support. As Australia is the first country to implement plain packaging, there may be other consequences that the policy evaluation will reveal when available.

5. If adopted, do you think plain packaging of tobacco products might have any unintended or undesirable consequences, such as:
- unacceptable implications for consumers (eg, limitations on consumer choice)?
 - legal implications (eg, implications for freedom of expression under the Bill of Rights Act)?
 - adverse implications for competition or trade?
 - unduly adverse impacts on tobacco manufacturers and exporters in developing countries?

NO

Comment:

It appears smokers will have at least the same, if not wider, choice of products as before. In Australia new brand variants have continued to appear and there is evidence in manufacturer-to-retailer promotional materials that there will be many new descriptors added. See www.ashaust.org.au/lv4/MarketingPloys.htm#PACKWATCH

A policy issue is to consider capping the number of brand variants as part of a tobacco seller licensing scheme, since many brands already have several variants that are aimed at attracting users.

It is clear that governments have a sovereign right to legislate to restrict advertising in the interests of public health. New Zealand is committed to do this in the case of tobacco as a signatory to the WHO Framework Convention on Tobacco Control. Among all commercially available products, tobacco demands special consideration because:

- it's the only consumer product that when used as intended, causes the death of a majority of its lifetime users;
- it causes more preventable death and disease than all other drugs combined;
- it's highly addictive, arguably the most addictive known drug; and
- unlike other drugs such as alcohol, tobacco as well as harming users is an unacceptable hazard to others exposed to secondhand tobacco smoke – including children.

The legal arguments promoted by the tobacco industry and related third parties have been well refuted by independent legal experts. In Australia, the industry has already lost its High Court constitutional challenge; legal experts believe its remaining cases under bilateral trade treaties and in the World Trade Organization are weak and have little chance of success.

The tobacco industry is an aggressive opponent of tobacco controls and any delay or weakening of this health policy is likely to adversely impact upon the anticipated benefits of reducing the burden of deaths and disease caused by tobacco products.

Independent legal comment under Legal Arguments at www.ashaust.org.au/lv3/action_plainpack.htm#EVIDENCE%20AND%20RESOURCES

6. Are you concerned that a plain-packaging regime might lead to an increase in illicit tobacco trade and related 'black market' or criminal activity? If so, can you provide any evidence to support your concern? For example:
- what difference would plain packaging make to the incentives or opportunity for the supply of counterfeit or contraband (i.e., smuggled or non-duty paid) cigarettes?
 - do you have any views as to the adequacy of measures contained in the Australian plain-packaging regime to avoid illicit trade?
 - do you have any views as to the role the tobacco supply industry itself should play in preventing illicit tobacco trade?

NO

Comment:

Global experts recommend controlling the tobacco supply chain as the main strategy to reduce smuggling. A worldwide report on tobacco smuggling says increasing tobacco tax, combined with stronger enforcement, will deliver the best results in reducing illegal tobacco trade - while also cutting tobacco use and raising billions in government revenue. The report, from the World Health Organisation and HSBC Finance published in *Applied Economics*, analysed data from 110 countries and mapped tobacco smuggling routes. It found "A tax-induced increase in real retail cigarette prices and an improvement in anti-smuggling law enforcement.... are found to significantly increase government revenues while decreasing global consumption and smuggling."

Abstract at www.informaworld.com/smpp/content~db=all~content=a901883029

The Australian government on 28/6/12 announced introduction of tougher laws to control tobacco smuggling, under which smugglers will face up to ten years' imprisonment.

www.attorneygeneral.gov.au/Media-releases/Pages/2012/Second%20Quarter/28-June-2012---Tougher-tobacco-smuggling-laws-introduced.aspx

The tobacco industry routinely exaggerates illicit trade, and the impact of tobacco control policies on it. In Australia their estimates of illicit trade levels have been found to be wildly inaccurate. See Quit Victoria critique May 2012 of tobacco retailer-commissioned Deloitte report on illicit tobacco trade at www.cancervic.org.au/downloads/mini_sites/Plain-facts/CritiqueDeloitte_May_2012_Update_-_Public_copy.pdf

Independent research shows plain packaging is likely to have no impact on illicit purchase. One study of young adult smokers found "the pack has no impact on the decision to buy illicit tobacco." Moodie C et al (2012) at <http://eurpub.oxfordjournals.org/content/early/2011/03/25/eurpub.ckr038.abstract>

It is our view that the tobacco industry could implement state-of-the-art anti-counterfeiting measures including tax markings on the new packs that would prevent counterfeiting.

We recommend that any costs be recovered through a comprehensive and nationally coordinated licensing or registration scheme to cover all costs of regulation, monitoring and enforcement.

7. Do you have any comments to make on any aspect of the Regulatory Impact Statement that forms part of this consultation?

Comment:

We agree with the overall finding of the RIS that under a mandatory plain packaging policy "there would be likely to be reduced uptake of smoking, increased cessation, and flow-on effects for second-hand smoke, improved public health, and reduced costs to the public health system. This would reduce premature death and contribute to the Government's stated goal of a smoke-free New Zealand by 2025."

8. Do you have any other comments on plain packaging of tobacco products that you would like to be taken into account?

Comment:

We welcome this initiative of Aotearoa / New Zealand, and multi-partisan statements of support for the plain packaging policy - as it is a key policy component of NZ's national and international tobacco control strategies. If NZ is to reach the target of near-zero prevalence by 2025, effective policies will be needed to accelerate the current rate of prevalence reduction. The tobacco industry arguments and tactics are exaggerated, misleading and not to be trusted. As the independent research evidence shows, this legislation has great potential to save lives by reducing the appeal of tobacco - particularly for children who are the vast majority of the industry's "new smokers".

Plain packaging is necessary to meet New Zealand's commitment to Art. 13 of the Framework Convention on Tobacco Control (FCTC) - to implement a "comprehensive ban of all tobacco advertising, promotion and sponsorship". It would also maximise effectiveness of implementation of obligations under Art. 11 (packaging and labelling).

www.who.int/fctc/text_download/en/index.html

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Specific questions relating to impacts on manufacturers, exporters, importers and retailers of tobacco products

9. What are the likely impacts that plain packaging would have for manufacturers, exporters, importers or retailers of tobacco products?

Comment:

Based on the Australian experience, the industry is likely to respond by cutting prices and introducing more brand variants, descriptors, and by encouraging retailers to push cheaper and multipack discount offers if not already prohibited. Prior to the introduction of plain packaging the tobacco industry threatened to flood Australia with cheap cigarettes. We recommend that as part of a tobacco seller licensing scheme, the number of variants presently on the market be capped so that no new variants can be introduced; and that all forms of tobacco industry incentives to retailers to increase sales or promote tobacco products be prohibited.

10. What would be the impact of plain packaging on the market mix and retail price of tobacco products?

Comment:

As above. The industry can be expected to attempt to maintain sales and uptake by under-the-radar promotion of cheaper brand variants. Depending on legal requirements for price boards in NZ, it's very likely that the industry will use price boards to promote cheapest cigarettes and emphasise how multiple packs are cheaper per stick.

11. What would be the additional costs of manufacturing tobacco packaging, including redesigning packs and retooling printing processes, if plain packaging of tobacco products were introduced?

Comment:

We expect an initial setup cost but savings would be expected as tobacco companies regularly redesign packaging to refresh appeal.

See examples of this at our Pack Watch at www.ashaust.org.au/lv4/MarketingPloys.htm

We understand that production for most BATA packs has been moved offshore to Malaysia to take advantage of reduced labour costs in a low-middle income country.

If they were really concerned about packaging costs, BATA would not be promoting the 38 new descriptors in the plain pack brand families. Each new descriptor requires a different print run.

12. Would the ongoing cost of manufacturing cigarette packs be lower or higher if plain packaging of tobacco products were introduced compared with the current cost of manufacturing packs, and by how much?

Comment:

We're not able to comment on current costs, but we'd expect that costs for plain or standardised packaging would be much lower as frequent makeover of packs and costs of pack designs will no longer be permitted under the proposed law.

13. How often do manufacturers amend the design of tobacco packaging for brands on the New Zealand market, and what are the costs of doing so?

Comment:

We're not aware of the frequency of this in NZ, but the pattern in Australia is that packs are frequently given new designs and colour codes to increase appeal, deter quitting and attract new customers.

14. Would the ongoing costs of brand marketing increase or decrease over time under plain packaging?

Comment:

Costs would reduce over time, particularly if the number of variants is capped and reduced as part of a comprehensive regulatory framework to phase out the commercial sale of tobacco products by 2025.

15. To what extent is the design, manufacture and printing of packaging of tobacco products sold in New Zealand undertaken in New Zealand, including work outsourced to external specialist design, packaging and printing firms?

Comment:

Standardised packaging should significantly reduce costs and it is our understanding that BATA's production has moved offshore to Malaysia to streamline production and reduce costs further.

16. Would plain packaging of tobacco products result in a discontinuation of importation of tobacco products with small markets, and if so, what financial loss would be incurred by importers of those products?

Comment:

It's possible that smaller importers could be on a more competitive footing with the big three tobacco companies once all packs are standardised.

17. Would it take longer for tobacco retailers to serve customers, and if so, why and by how much would this occur?

Comment:

The answer to this appears to be "no". In Australia, a Deloitte report commissioned by tobacco retailers claiming plain packaging would cost retailers \$460m was based on subjective estimates from just six shopkeepers; and this estimate was demolished by a study at Curtin University, WA showing plain packs will be no slower for staff to find in shops - in fact slightly faster.

<http://tobaccocontrol.bmj.com/content/early/2011/09/23/tobaccocontrol-2011-050087.full>

18. Would retailers face any other costs or benefits if plain packaging of tobacco products were introduced?

Comment:

Retailers have already been trained in Australia by tobacco sales staff to store products in alphabetical order to save time.

19. Please outline any other costs or benefits for manufacturers, exporters, importers or retailers that you think need to be taken into account when the Government considers whether to introduce a plain packaging of tobacco products regime.

Comment:

Retailers will be free to promote other consumer products that don't harm and kill their customers.

20. Please outline any ways in which plain packaging might be introduced so as to minimise the costs and/or maximise the benefits of doing so.

Comment:

Plain packaging should be introduced as soon as possible in NZ since it has already commenced in Australia. There may even be costs savings for the tobacco manufacturers as they will not be required to produce separate pack lines for NZ while producing standardised packs for Australia – in some cases at the same production plants.

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October 5, 2012

Plain Packaging Consultation
Ministry of Health
PO Box 5013
Wellington 6145
New Zealand

To the Ministry of Health:

The U.S. Chamber of Commerce (the U.S. Chamber) submits this letter in response to the Ministry of Health request for comments on the standardized packaging of tobacco products dated July, 2012. The U.S. Chamber is a strong supporter of measures to protect public health and recognizes the importance of reducing smoking rates in those efforts. However, we believe that plain packaging requirements do not support those public health goals, are a departure from the Government of New Zealand's international trade and intellectual property (IP) commitments, and set a dangerous precedent at the expense of the protection of IP rights for a number of industries.

The U.S. Chamber is the world's largest business federation representing the interests of more than three million businesses and organizations of every size, sector, and region. Our members place great importance on the protection of IP rights, which are essential to the ability of businesses to compete and thrive in the global economy. While well-intentioned, we believe that implementing a plain packaging requirement in New Zealand would significantly undermine the value of trademark protections by depriving brand owners of the ability to use their mark in commerce. The result of such actions could be loss of investment and jobs in the economy of the New Zealand.

Plain Packaging Destroys the Value of Trademarks without Advancing Public Health Objectives

The protection of trademarks is a priority for the U.S. Chamber. Trademarks safeguard the reputation of companies and their products and prevent consumer confusion and deception. For many of our members, the brand itself - the reputation of which is built over years of providing quality goods and services - is their most valuable asset. The U.S. Chamber's significant efforts through the Global Intellectual Property Center (GIPC) and the Coalition Against Counterfeiting and Piracy (CACCP) illustrate our extensive commitment to protecting these valuable assets.

While the U.S. Chamber supports the Government of New Zealand's commitment to improving the health of its citizens, there is little science-based evidence which indicates that plain packaging will achieve the stated objective of reducing the smoking rate among the population. On the contrary, a plain packaging requirement could promote an influx of low priced generic and possibly counterfeit products. In a recent review of plain packaging undertaken by the United Kingdom's Department of Health Impact Assessment, it was acknowledged that evidence in favor of brand removal is not well developed. Rather, the conclusions drawn by the review – which supports plain packaging policies – are based on speculation and lack empirical data.

Additionally, the United Kingdom Department of Health Impact study cites downward pressure on prices as a possible negative consequence of plain packaging. The report notes, "The main uncertainties associated with the policy explored herein... relate to impacts upon price and the illicit tobacco trade." Studies have shown that consumption of tobacco products increases when prices are lowered; mandating plain packaging, essentially making price the only means of competition, could lead to lower prices and increased availability and consumption.

We therefore believe that the lack of distinguishing trade dress and labeling may ultimately result in an increased risk of consumer deception and confusion; may paradoxically result in unintended harm to public health; and would deny the property rights of companies and their workers who have invested in building their brand's reputation.

Plain Packaging Is Inconsistent with New Zealand's International Obligations

Plain packaging requirements would likely be inconsistent with the Government of the New Zealand's international obligations, including those highlighted below under the World Trade Organization's (WTO) Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS Agreement), the Paris Convention of Industrial Property (Paris Convention), and the WTO Agreement on Technical Barriers to Trade (TBT). Among the provisions:

- **Article 20 of the TRIPS Agreement states:** "[t]he use of a trademark in the course of trade shall not be unjustifiably encumbered by special requirements, such as... 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." A standardized packaging requirement which allows manufacturers only to "print brand and product names" would eliminate the use of most trademarks, which are a critical means for consumers to distinguish among products. Consequently, by eliminating the trademark on the package,

standardized packaging places encumbrances by special requirements that are inconsistent with TRIPS Article 20.

- **Standardized packaging exceeds the “limited exceptions” described under Article 17 of the TRIPS Agreement.** TRIPS Article 17 allows WTO Members to provide for limited exceptions to trademark rights “provided that such exceptions take account of the legitimate interests of the owner of the trademark and of third parties.” Such exceptions do not apply in this case for several reasons. For example, the prohibition on use of the cigarette trademarks (apart from the name in plain type) is not “limited” but is instead a near-complete abrogation of the trademarks. In addition, the proposed Bill does not “take account of the legitimate interests” of trademark owners to differentiate their products, nor does it take account of the rights of third parties, especially consumers, in understanding the nature of the product they are purchasing.
- **Article 10bis of the Paris Convention** prohibits “all acts of such a nature as to create confusion by any means whatever with the establishment, the goods, or the industrial or commercial activities, of a competitor.” A standardized packaging rule would remove all distinctive elements of tobacco packaging with the exception of the brand name. As a result, there is a very substantial risk that there will be confusion in the retail setting as to the brand of tobacco product consumers are purchasing.
- **Article 2.2 of the TBT Agreement** requires that “technical regulations shall not be more trade-restrictive than necessary to fulfill a legitimate objective, taking account of the risks non-fulfillment would create.” While protection of public health is clearly a legitimate objective, the U.S. Chamber is concerned that standardized packaging requirements, particularly in the absence of credible science-based evidence that these requirements would address public health concerns, might actually have the opposite effect. There are other measures that could be employed to achieve the stated objectives, with less trade-restrictive results.

By implementing plain packaging and thus violating these treaty obligations, New Zealand will be sending a negative message to its trading partners, suggesting that it does not respect intellectual property rights. The legislation would also undermine New Zealand’s reputation as a reliable destination for international investment and leave the Government open to potential trade disputes.

Conclusion

While the U.S. Chamber supports improving public health, we are deeply concerned about the credibility of this approach and its possible unintended

consequences . These include the dangers of increased smoking rates due to competition through pricing in the legal market, and an influx of illicit and counterfeit tobacco products as described above.

Further, we are concerned that standardized packaging potentially violates numerous international commitments and has the potential to undermine trademark and other intellectual property rights, creating an additional problem of consumer confusion. As you are likely aware, Australia's recently passed legislation to implement plain packaging on tobacco products continues to face challenges under international law, both through WTO proceedings and investment arbitration.

The consequences for manufacturers, raw material suppliers, and distributors could be severe in terms of lost revenues, lost jobs, and long-term damage to critically important brands. The impact on the economy of New Zealand could also be significant if it is viewed as weak on intellectual property protection through the improper expropriation of registered marks.

Accordingly, we request that New Zealand consider alternatives that would be equally or more effective in terms of protecting public health but which would not undermine the international system for protecting trademarks.

We appreciate the opportunity to provide our comments.

Myron Brilliant
Senior Vice President, International
U.S. Chamber of Commerce

cc: Prime Minister John Key
Trade Minister Tim Groser
Foreign Minister Murray McCully



UNITED STATES COUNCIL FOR INTERNATIONAL BUSINESS

Peter M. Robinson
President & CEO

October 3, 2012

Honorable Tony Ryall
Minister of Health
Plain Packaging Consultation
Ministry of Health
PO Box 5013
Wellington 6145.
New Zealand

Re: Proposal to introduce plain packaging of tobacco products in New Zealand

Dear Minister Ryall,

On behalf of The United States Council for International Business (USCIB), I am writing to express our views in response to a call for public comments regarding the introduction of a potential "plain packaging of tobacco products" initiative in New Zealand. While we understand and applaud the legitimate state interest of protecting its citizens against unwarranted health risks, we also understand the need to carefully balance a multitude of other rights cherished by these same citizens in carefully crafting responsive legislation. We feel that in this instance, well-established principles of international law would be violated despite the best of intentions and consumers would not be best served by the implementation of such an initiative.

USCIB promotes open markets, competitiveness and innovation, sustainable development and corporate responsibility, supported by international engagement and prudent regulation. Its members include top U.S.-based global companies and professional services firms from every sector of our economy with operations and investments in every region of the world.¹ With a unique global network of international business organizations including the International Chamber of Commerce (ICC), the International Organization of Employers (IOE), and the Business and Industry Advisory Committee to the OECD (BIAC), USCIB offers industry expertise and perspective to policy makers and regulatory authorities worldwide and works to facilitate international trade and investment. Our association is committed to the protection and enforcement of intellectual property globally and closely works with its affiliates to combat counterfeiting and piracy of hard goods as well as digital works.

It is widely recognized that intellectual property protection and enforcement provides both the foundation and incentive for innovation for both developed and developing economies. Accordingly, international and national legislation ensures that rightsholders of patents, copyrights, and trademarks be protected and that their intellectual property be safeguarded against theft and

¹ Please find a current list of USCIB members at <http://www.uscib.org/index.asp?documentID=1846>

abusive practices. Trademarks, in particular, not only serve the rightsholders but also ensure that consumers have the means to differentiate products and services in the marketplace based on assumptions the consumers have formed about particular brands. These assumptions range from mere preferences to a recognition of a superior product. Similarly, the accompanying colors and logos and overall feel of the product – trade dress – serve an indispensable role in brand recognition. Therefore, depriving a legitimate business of these safeguards not only deprives a company of its hard-earned intellectual property, but also deprives consumers of the means to discern brands and make informed choices in the marketplace. And while health concerns are certainly of great importance to regulators and citizens alike, it is our concern that such legitimate state interests, when construed broadly, could touch upon a number of sectors engaged in a number of legitimate business pursuits that also have invested heavily and relied upon intellectual property assets globally.

Furthermore, as we brought to the attention of the Australian government just last year in response to their proposed legislation, we believe that any potential legislation invoking “plain packaging” would be inconsistent with the WTO’s TRIPS Agreement and the Paris Convention as well as the WTO TBT Agreement, thus rendering it incompatible with accepted international legal standards. Indeed, Australia is currently facing multiple legal actions for alleged violations stemming from their plain packaging proposal. Specifically, we cite:

- **TRIPS Article 20** prohibits unjustified encumbrances on trademarks. The Bill requires manufacturers to adapt their trademarks to a designated special form and eliminates a critical means for consumers to distinguish among products. This will likely exacerbate consumer confusion;
- **TRIPS Article 15 and Paris Convention Article 7** have identical requirements, providing 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;”
- **Article 6 of the Paris Convention** provides “every trademark duly registered in the country of origin shall be accepted for filing and protected as in the other countries of the Union.” The proposed initiative may result in the rejection or invalidation of trademarks registered and protected in their country of origin, thereby violating this provision;
- **Article 2.2 of the TBT Agreement** requires that technical regulations, including packaging and labeling requirements, be no more trade restrictive than necessary to fulfill a legitimate objective. While protection of public health is clearly a legitimate objective, we believe that the plain packaging requirements are not narrowly tailored to meet this legitimate objective and could result in substantial consumer confusion and potentially consumer harm.

Lastly, the current proposal would deprive the tobacco companies of their ability to engage in commercial speech in the marketplace so that consumers may make informed decisions. We understand that the doctrine of commercial speech here in the United States is markedly different from the evolution of freedom of expression jurisprudence around the globe. Nevertheless, we cite Article 19 of the International Covenant on Civil and Political Rights (“ICCPR” or “Covenant”), “[e]veryone shall have the right to hold opinions without interference. Everyone has the right to freedom of opinion and expression; this right includes freedom to hold opinions without

interference and to seek, receive, and impart information and ideas through any media and regardless of frontiers." USCIB believes that this right is not limited to individuals but that freedom of expression is best served when businesses are also permitted to "speak" in the marketplace by disseminating information and describing products and services so as to enhance the consumer experience. Consumers need to receive information to make informed choices about their lives, and especially as it relates to their health. Of course, this speech should avoid deceptive and misleading representations, but there should be recognition that there is value in the dissemination of truthful speech both to business and to society at large.

In conclusion, we believe that any initiative that is proposed in the "plain packaging" context will not be effectively and narrowly tailored to address the legitimate objectives of the legislature in protecting its citizens against the harms posed by the use of tobacco products. In depriving companies of their intellectual property and restricting the free flow of information to consumers, the legislation not only has the potential of violating accepted international laws and norms, but also of harming the very citizens the bill has set out to protect. Accordingly, we would respectfully ask the New Zealand government to explore legitimate alternatives to any potential initiative or legislation in this area so that the citizens and business entities of New Zealand may pursue healthy lives without relinquishing the rights and protections afforded them by law.

We look forward to our continued cooperation on these important matters and we thank you for affording us the opportunity to contribute our views.

Sincerely,



Peter M. Robinson

CC: Hon John Key, Prime Minister
Hon Tim Groser, Minister of Trade
Hon Murray McCully, Foreign Minister

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October 5, 2012

Hon. Tony Ryall
Minister of Health
Ministry of Health PO Box 5013
Wellington 6145
New Zealand

Re: Plain Packaging Consultation

Dear Minister Ryall:

As a global organization with over 5,900 trademark owners and law firms, including 23 members from New Zealand, the International Trademark Association (INTA) is pleased to have the opportunity to deliver comments to the Ministry of Health regarding the possibility of introducing plain packaging for tobacco products in New Zealand. INTA commends the efforts of the New Zealand Government to address public health concerns. Although we take no position on the particular health issues that are the focus of this proposal, we strongly believe that implementing the proposal for tobacco plain packaging is a serious encroachment on the rights of trademark owners and frustrates the ability of trademarks to function properly as a part of fair and effective commerce.

INTA is a not-for-profit membership association of trademark owners and professional firms from more than 190 countries. The association was founded in 1878 and is dedicated to the support and advancement of trademarks and related intellectual property as elements of fair and effective national and international commerce. INTA members share common interests in the protection of trademarks and the development of trademark law, and they rely on INTA to represent and advocate for those interests with national governments and international organizations. INTA's diverse membership includes multinational corporations spanning diverse industries, including the tobacco industry, intellectual property and general practice law firms, trademark agent firms, service firms, trademark consultants, and academic institutions. Further information about INTA can be found at www.inta.org.

The following comments raise the concerns of our membership regarding proposals for tobacco plain packaging in New Zealand.

I. The Legal Implications of Tobacco Plain Packaging

Currently, trademarks and related intellectual property rights are protected under legislation in New Zealand. Under section 10 of the *Trade Marks Act 2002*, the owner of a registered trademark has, in particular, the exclusive right to use the registered trademark.¹

¹ 10 Rights that attach to registered trade marks

(1) The owner of a registered trade mark has, in relation to all or any of the goods or services in respect of which the trade mark is registered, the rights and remedies provided by this Act and, in particular, has the exclusive right to—

Introduction of plain packaging of tobacco would provide a specific prohibition on trademarks that appear on retail packaging. We submit that the introduction of plain packaging regulations would violate minimum obligations for the protection of intellectual property rights for tobacco manufacturers who are the legitimate owners of the registered trademarks.

Trademarks are registered for particular goods and services. Registered trademarks also take various forms, notably simple word marks, stylized words and logos. Less commonly, there are also registrations for colors and shapes.

Simply put, plain packaging legislation would deprive the trademark owner of its exclusive rights to use and authorize others to use all but simple word marks. Given the existing ban on advertising tobacco products in New Zealand, the trademark owner would have effectively no right to use its stylized word, logo, color or shape trademarks. Because use is required to maintain a trademark, the proposed legislation effectively forces the trademark owner to relinquish its rights in a very valuable asset.

The New Zealand consultation document attempts to side-step this issue by suggesting that companies "will be free to use logos and other representations of their trademarks in other ways, e.g. corporate documents, as long as these are not advertising or promoting tobacco products." This is an illusory benefit. As mentioned, trademarks are registered for particular goods or services. Their key role is to indicate trade origin of the goods or services. Corporate documents do not achieve that goal.

For registered trademarks that are not simple word marks, it is therefore unrealistic to claim that the owner would not be deprived of its exclusive right to use the mark if plain packaging is legislated. For simple word marks, plain packaging would also at best, heavily curtail the owner's exclusive right to use the mark and at worst, eliminate it all together.

Trademarks, including logos, owned by tobacco companies are valuable assets. The ability to use the trademark as an indicator of origin for the goods and services for which it is registered is the key attribute of the trademark asset. Legislating to deny the right to use a valuable mark is akin to seizing that asset. It would wipe millions of dollars of value from those assets, and over time leave them worth little or nothing.

II. Violation of New Zealand Trademark Laws

Provisions which prohibit tobacco companies from using their trademarks would cause them to be vulnerable to the revocation of their registrations for non-use. Under section 66 of the *Trade Marks Act 2002*, the registration of a trademark may be revoked on the ground that the trademark had not been genuinely used in the course of trade in New Zealand by the owner for a continuous period of three years.² The introduction of plain packaging will prohibit owners of trademarks from using their trademarks

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- (a) use the registered trade mark; and
 - (b) authorise other persons to use the registered trade mark; and
 - (c) assign or transmit the registered trade mark (either in connection with the goodwill of a business or not); and
 - (d) give valid receipts for any consideration for any such assignment or transmission.

(2) For the purposes of subsection (1)(a), a member of a collective association that owns a collective trade mark that is registered in respect of goods or services—

- (a) has, along with the collective association, the exclusive right to use the trade mark in respect of those goods or services; and
- (b) does not have the right to exclude any other members from using the trade mark in respect of goods produced or services provided by the other members.

² **Grounds for revoking registration of trade mark**

(1) The registration of a trade mark may be revoked on any of the following grounds:

freely, and owners may not be able to demonstrate their use of the trademarks. Subsequently, these trademark registrations could be revoked for non-use and the rights granted by registration will be lost.

III. New Zealand's Bill of Rights

When legislation is introduced into New Zealand's Parliament, it is the Attorney-General's responsibility to bring to Parliament's attention any provision that appears to be inconsistent with rights and freedoms contained in the New Zealand Bill of Rights Act 1990 (NZBORA).

Section 21 of the NZBORA addresses protection from unreasonable seizure of property as a fundamental democratic and civil right: "Everyone has the right to be secure against unreasonable search or seizure, whether of the person, property, or correspondence or otherwise."

A person includes a corporate entity – Interpretation Act 1999, section 29. Property includes trademarks and other intellectual property. As explained above, plain packaging amounts to seizure of registered and unregistered trademarks, in the sense of denial of lawful access to, use and enforcement of those assets.

Section 14 of the NZBORA also provides for freedom of expression as a fundamental democratic and civil right: "Everyone has the right to freedom of expression, including the right to seek, receive and impart information and opinions of any kind in any form."

Commercial expression falls under the ambit of freedom of expression. It covers both commercial information and commercial opinion, such as branding, packaging and promotion.

Plain packaging is on its face therefore inconsistent with both section 14 and section 21 of NZBORA. Those rights are not absolute, but section 5 of NZBORA states they are only subject to such limitations as can be demonstrably justified in a free and democratic society. The general assertions in the consultation paper do not, in our estimation, satisfy the NZBORA's requirement to *demonstrate* that the drastic measure of plain packaging is justified in a free and democratic society. The Attorney-General must determine whether the limitations imposed by plain packaging legislation impair freedom of expression and protection against seizure of property, no more than is reasonably necessary (*R v Hansen* [2007] 3 NZLR 1).

What amounts to little more than hope or speculation that a goal might be achieved is not, in our submission, sufficient. There needs to be verifiable evidence of the linkage between the use of tobacco industry trademarks and packaging, and the social objective of the proposed legislation.

IV. New Zealand's International Treaty Obligations

The adoption of plain packaging legislation would be a violation of New Zealand's obligations under international treaties such as the World Trade Organization's Agreement on Trade-related Aspects of Intellectual Property Rights (TRIPS). Under Article 15(4) of TRIPS, it is stipulated that "the nature of the goods or services to which a trademark is applied shall in no case form an obstacle to registration of the

(a) that at no time during a continuous period of 3 years or more was the trade mark put to genuine use in the course of trade in New Zealand, by the owner for the time being, in relation to goods or services in respect of which it is registered:

(b) [Repealed]

(c) ...

trademark." Furthermore, Article 20 provides that "the use of a trademark...shall not be unjustifiably encumbered by special requirements, such as...use in the manner detrimental to its capability to distinguish goods and services."

For these reasons, and as experienced by Australia, proposed plain packaging legislation would put New Zealand at risk of being challenged before the World Trade Organization. It could also potentially put New Zealand at risk of challenges under regional or bilateral trade and investment agreements.

V. Increased Risk of Counterfeit Goods

The introduction of standardized tobacco packaging and the limitation on the use of trademarks on tobacco packaging will increase the sale counterfeit goods. When different brands of tobacco products are harder to distinguish from each other, counterfeit, smuggled or illicitly traded goods will become more difficult to identify, both by enforcement agencies entrusted to protect consumers against such unlawful goods and the consumers themselves who will be confused as to what is genuine and what is not. It follows that the illegal tobacco market, particularly in the Asia-Pacific region, with its quality and ingredient dangers to public health, is likely to grow further when all tobacco packs look the same and are easier to copy and more difficult to distinguish. Consequently, this will likely damage the goodwill of legitimate trademark owners. While identification codes and anti-counterfeiting markings are already in use, those steps will not negate the heightened risk of counterfeit products entering the market in New Zealand.


VI. Conclusion

In light of the foregoing, INTA submits that the imposition of mandatory plain packaging for tobacco products puts New Zealand at risk of depriving trademark owners of valuable property, which is inconsistent with its trademark legislation, its Bill of Rights safeguards, and its international obligations. It would also risk counter-productive results such as increasing the dangerous trade in counterfeit tobacco products.

We envisage that if plain packaging of tobacco products is to be implemented in New Zealand, a regime will be created in which a large number of very valuable registered (and unregistered) trademarks could not be used. Deprivation of owners' rights in this way would set an unsound legislative precedent that is inconsistent with national and international trademark laws, and democratic freedoms.

If you have any questions or concerns with this submission, please contact Mr. Seth Hays, External Relations Manager for Asia-Pacific, at shays@inta.org.

Sincerely,



Gregg Marrazzo
President