

Managua, October 20th, 2011

Assistant Secretary, Tobacco Control Taskforce
Attention: Tobacco Reform Section
Department of Health and Ageing
GPO Box 9848
Canberra, ACT 2606
Australia

Dear Assistant Secretary:

The Government of Nicaragua makes this submission in response to your Department's 30 September 2011 release of the consultation paper titled *Tobacco Plain Packaging: Proposed approach to non-cigarette tobacco products* ("Consultation Paper"). The Government of Nicaragua wishes to express its concern over the latest developments on the proposed Tobacco Plain Packaging Bill 2011 and its impact on trade in non-cigarette tobacco products such as cigars.

The Tobacco Plain Packaging Bill 2011 and the implementing regulations would eliminate the use of trademarks on all tobacco packaging and on tobacco products themselves, with the exception of the brand name appearing in a standardized form. The *Consultation Paper* proposes that retail packaging for cigars must be the same specific drab dark brown colour as was proposed for cigarette products. Importantly, the *Consultation Paper* confirms that the trademark prohibition also applies to non-cigarette products. Only the brand name and variant name may appear on packaging, and only in a specified font, colour, and location on the packaging. No other logos, symbols, or other distinctive marks or brands may be visible on the package.¹ The *Consultation Paper* also indicates that the Government proposes that cigar bands be removed, or replaced with a drab dark brown band with the brand name and variant and country of origin printed in a standard font style, size, and colour.²

The measure as outlined in the *Consultation Paper* would severely undermine the fundamental protection of essential intellectual property rights and unnecessarily restricts trade in the same way as the measure that the Government of Australia seeks to apply to cigarettes.

¹ See, *Consultation Paper* at page number 4.

² See, *Consultation Paper* at page number 6.

The Department of Health and Ageing should be aware that this legislation is a cause for great concern internationally and is being closely followed by many of Australia's trading partners, including Nicaragua. The Government of Nicaragua and a number of other governments have already raised on a number of different occasions with the Australian government concerns and questions about the legislation that Australia now seeks to apply with equal force to cigars and other non-cigarette tobacco products. These concerns and questions have been raised both bilaterally and at the World Trade Organization ("WTO"). Unfortunately, the Government of Australia has provided no substantive responses to our questions and concerns regarding the WTO consistency of the plain packaging measures.

Nicaragua recognizes and supports Australia's right to legislate to protect health, as long as such measures are consistent with WTO rules and other international treaty commitments. The Government of Nicaragua considers that, unfortunately, the pending plain packaging measure falls far short of WTO compliance and would set a damaging precedent that would undermine protection for all intellectual property rights in Australia and abroad.

We note that the negative trade impact is not in any way outweighed by a positive health impact. That should be a serious concern to your Department because the measure simply misses its target and causes very important collateral damage to Australia and its trading partners, all of which share Australia's interest in protecting the health of their citizens. The evidence relied on by the Government of Australia is simply not sufficient and does not provide the proper basis on which to conclude that the measure will be effective in achieving the health objective of reducing smoking. Without being effective in protecting health, the measure introduces a significant material limitation on the use of trademarks and brands, which are essential elements that define the identity of the products and allow producers to distinguish their products from those of their competitors. The resulting limitation on competitive opportunities is significant, and thus, the restriction on trade imposed by the plain packaging measure is disproportionate. Consequently, the measure violates Australia's international obligations under, in particular, the WTO Agreement on Technical Barriers to Trade ("TBT"), the Agreement on Trade Related Aspects of

Intellectual Property Rights (“TRIPS”) and The Paris Convention for the Protection of Industrial Property.

In this respect, the Government of Nicaragua notes that Article 2.2 of the TBT Agreement requires that Members ensure that their technical regulations prescribing product or packaging requirements shall not be prepared, adopted, or applied with the effect of creating unnecessary obstacles to international trade. For this purpose, technical regulations shall not be more trade-restrictive than necessary to fulfill a legitimate objective, taking into account of the risks that non-fulfillment would create. When assessing such risks, governments should take into consideration relevant scientific evidence. As noted before, we consider that the proposed plain packaging legislation is more trade-restrictive than necessary to fulfill the stated objective of reducing tobacco consumption. There is no objectively assessed evidence that the measure will materially contribute to the protection of health. Yet, the trade restriction resulting from this unnecessary measure is very significant. Other, less trade restrictive and much more effective measures are available to Australia, thereby confirming that the plain packaging measure under consideration is an unnecessary obstacle to trade.

Similarly, the measures effectively ban trademarks and require that the brand name appear only in a certain standard form, which amount to unjustifiable encumbrances imposed on the use of trademarks and are therefore prohibited by Article 20 of the TRIPS Agreement. This key provision of the TRIPS Agreement requires that the use of trademarks 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.” The proposed plain packaging legislation on non-cigarette tobacco products is inconsistent with this provision because it mandates the use of trademarks in a “special form” and requires its use in a manner that is clearly detrimental to its capability of distinguishing products because the trademarks is reduced to a standardized brand name without any distinguishing colors, logos, etc. This appears to be a clear violation of Article 20 of the TRIPS Agreement.

The TRIPS Agreement does not contain a general exception for measures necessary to protect health. Although Article 8.1 of the TRIPS Agreement allows countries to adopt measures to

protect public health, such measures must be otherwise consistent with the provisions of the TRIPS Agreement, which plain packaging is not. The articles 6 and 7 of the Paris Convention states that countries must accept for registration those trademarks in other countries and should not discriminate based on the nature of the goods to which marks apply. These arrangements implicitly require that countries that are parties to them give a positive right to the owners of trademarks to use a trademark in their property. The right to register a trademark without having the right to use it would constitute a formal right without economic sense. In any case, the disproportionate limitation on intellectual property rights for no measurable benefits in terms of public health confirms that the plain packaging measure constitutes an unjustifiable encumbrance on the use of trademarks.

Finally, we would like to note that the Tobacco Plain Packaging Bill 2011 and the *Consultation Paper* state that the plain packaging measure is being adopted to give effect to Australia's obligations under Articles 5, 11, and 13 of the WHO Framework Convention on Tobacco Control ("FCTC").³ However, nothing in these provisions of the FCTC oblige Australia to adopt such measures. The FCTC does not even mention plain packaging and none of the other 173 countries that are parties to the FCTC have adopted plain packaging measures, which confirms that plain packaging is clearly not necessary to give effect to any of the obligations of the FCTC. The FCTC Guidelines merely propose that countries "consider" adopting plain packaging, while saying nothing about banning the use of lawfully registered trademarks. As is clear from Article 2.1 of the FCTC, an important aspect of this proposed "consideration" will need to be whether such a measure would be compatible with obligations under international law, including WTO law. Thus, the FCTC Guidelines do not require Australia to adopt the plain packaging measure.

The Government of Nicaragua is grateful for this opportunity to present its view to the Department of Health and Ageing and sincerely hopes that its significant concerns in respect of the Tobacco Plain Packing Bill of 2011 and the most recent *Consultation Paper* will be taken in to account.

³ See, *Consultation Paper* at Appendix B.