

**SUBMISSION TO  
THE STANDING COMMITTEE  
ON HEALTH  
ON PLAIN PACKAGING FOR  
TOBACCO PRODUCTS**

**NATIONAL INTELLECTUAL PROPERTY SECTION  
OF THE CANADIAN BAR ASSOCIATION**



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## PREFACE

The Canadian Bar Association is a national association representing over 37,000 jurists, including lawyers, notaries, law teachers, students and judges across Canada. The Association's primary objectives include improvement in the law and in the law and in the administration of justice.

This submission was prepared by the Trade-Marks Committee of the Intellectual Property Section and approved by the Executive of that Section. The submission was reviewed by the Legislation and Law Reform Committee. Research, writing and production assistance was provided by the Legal and Governmental Affairs Directorate at National Office.

This submission has been approved as a public statement of the Canadian Bar Association.

While the CBA is aware that there are broader social issues at stake in this review, this submission focuses only on the technical trademark aspects of plain packaging.

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## INTRODUCTION

The Trade-Marks Committee has considered the trade-mark implications of "plain packaging of tobacco products" currently under review by the House of Commons Standing Committee on Health. The Trade-Marks Committee has serious concerns with plain packaging requirements for any products, including tobacco. Those concerns arise out of:

1. the essential character of trade-marks, and the use requirements in the *Trade Marks Act*;
2. the *North American Free Trade Agreement* ("NAFTA");
3. the *Agreement on Trade-Related Aspects of Intellectual Property Rights* ("TRIPS") under the *General Agreement on Tariffs and Trade* ("GATT"); and,
4. the *Canadian Charter of Rights and Freedoms* ("the Charter").

These same concerns apply to Ontario Bill 119 to the extent that the Bill will be used to mandate "plain packaging of tobacco products" in Ontario.

At present, we do not have a clear indication of what "plain packaging" will entail. For example, does it mean that only a manufacturer's name (e.g., Imperial Tobacco Ltd.) might appear on a package, or does it mean

that the current word "trade-mark" (e.g., DUMAURIER or EXPORT A) could be used but not the current package design? It is the view of the Trademarks Committee that manufacturers of tobacco products must be permitted to use their trademarks on packaging, especially word trade-marks which are now widely used to distinguish between brands, whatever other changes may be contemplated: manufacturers, whether they produce tobacco products or not, must be able to distinguish their products from the products of others; consumers must be able to purchase the product they want from a particular source. Trade-marks have proven to be the most effective means of meeting these needs.

#### I. CONCEPTS

A trade-mark is something used by an entity for the purpose of distinguishing its wares or services from the wares or services of others. It can be: a word or words, such as EXPORT A or DUMAURIER; a design, such as the "Scottish Lady" design; a slogan, such as YOU'VE COME A LONG WAY, BABY; a special design feature on packages; and, in some cases, packaging itself. For many years, trade-mark law was governed by the source theory: i.e., the trade-mark distinguishes the source of the product. In Canada, it is widely accepted that trade-marks also serve as indicators of quality.

Trade-mark rights are acquired both by use and registration, under the *Trade-Marks Act*. Whether registered or not, the trade-mark can be protected in the courts from the use of confusing trade-marks by others: where the trade-mark is registered, the owner may sue for infringement; where the trade-mark is unregistered, the owner may sue for passing off

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(at common law; there is a similar cause of action under the Civil Code of Quebec) or unfair competition (under section 7 of the *Trade-Marks Act*).

In restraining the use of confusing trade-marks, the courts are protecting a quasi-property right in the trade-mark itself but they are also protecting the community. The Supreme Court of Canada recognized this factor in *Consumers Distributing Co. v. Seiko Time Canada Ltd.* when it stated:

The role played by the tort of passing off in the common law has undoubtedly expanded to take into account the changing commercial realities in the present-day community. The simple wrong of selling one's goods deceitfully as those of another is not now the core of the action. It is the protection of the community from the consequential damage of unfair competition or unfair trading.<sup>1</sup>

Restrictions on the use of trade-marks must be approached with caution. If a manufacturer is prevented from using or is unduly restricted in the use of trade-marks, not only is the manufacturer prevented from reaching its market but the consumer cannot be sure that he or she is getting the product desired. The risk of consumer deception is also increased. This is important from two perspectives: consumer preference and consumer safety/product liability.

Consumers develop a preference for particular products based on various factors. In the case of tobacco products, the preference may be based on taste, ingredients or other features, such as size. The consumer must

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<sup>1</sup> (1984), 1 C.P.R. (3d) 1 at 13.

have some means of ensuring that he or she is purchasing the preferred product. Trade-marks have proven over the years to be the most effective means to do so.

Consumers may have a need to avoid particular products. For example, a product may contain a substance to which the consumer has an allergy. It is important for the consumer to be able to identify the product so that he or she can avoid it in the future. This is also important from a product liability perspective: if the consumer suffers damage as a result of a product, the consumer must be able to identify the product so as to seek compensation from the producer. Trade-marks provide the consumer with an easy and effective means of identifying the product and its source.

The proposed law would also have a significant impact on the existing rights of tobacco trade-mark owners. Specifically, in order to be enforceable, whether or not registered, a trade-mark must be in use. Non-use of a trade-mark can result in cancellation of the mark, either under section 18 or section 45 of the *Trade-Marks Act*.

Tobacco manufacturers, like all other trade-mark owners, spend considerable sums to protect and enforce their trade-marks, thereby increasing the value and scope of protection of such marks. Any law which limits the use of the trade-mark will naturally affect the validity and enforceability of such rights, and have a disastrous effect on the value of the goodwill associated with the trade-mark and the business.

Plain packaging restrictions may affect the validity of both registered and unregistered trade-marks and thereby the ability of tobacco

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manufacturers to prevent the use of a confusing trade-mark by other tobacco manufacturers, not only in Canada but elsewhere, and also affect the trade-mark owner's ability to prevent the use of the trade-mark by others in a business unrelated to tobacco products, despite the fact that the public may assume that there is some relationship between the tobacco manufacturer and the infringer.

Thus, the Trade-Marks Committee would have serious concerns with respect to any proposal which prevents or unduly restricts the use of trade-marks on any product, including tobacco products.

## II. NAFTA

Chapter 17 of NAFTA deals with intellectual property as a whole, while Article 1708 relates specifically to trade-marks. Article 1708.10 provides that:

No party may encumber the use of a trade-mark in commerce by special requirements, such as a use that reduces the trade-mark's function as an indication of source or a use with another trade-mark.

By virtue of this provision, special requirements which interfere with the use of trade-marks in commerce are prohibited. Two examples of requirements which would be prohibited are given: first, any requirement which reduces the trade-mark's function as an indication of source; second, any requirement that a trade-mark be used with another trade-mark. *Prima facie*, any prohibition or undue restriction on the use

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of a trade-mark on tobacco packaging would reduce the trade-mark's function as an indication of source. In addition, the use of health warnings, should they include a requirement to use an official mark, could constitute a requirement that a trade-mark be used with another trade-mark. Thus, the possibility of violation of Article 1708 of NAFTA by the imposition of plain packaging is strong.

Article 1110 of NAFTA deals with expropriation and compensation. Article 1110.1 provides:

No party may directly or indirectly nationalize or expropriate an investment of an investor of another party in its territory or take a measure tantamount to nationalization or expropriation of such an investment ("expropriation"), except:

- (a) for a public purpose;
- (b) on a non-discriminatory basis;
- (c) in accordance with due process of law and article 1105(1); and,
- (d) on payment of compensation in accordance with paragraphs 2 through 6.

"Investment" is comprehensively defined in NAFTA and includes "an interest in an enterprise that entitles the owner to share in the assets of that enterprise on dissolution." Intellectual property rights arguably entitle their owners to such rights. In addition, Article 1110.7 specifically contemplates intellectual property as being affected by this article since it states:

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This article does not apply to the issuance of compulsory licenses granted in relation to intellectual property rights, or to the revocation, limitation or creation of intellectual property rights, to the extent that such issuance, revocation, limitation or creation is consistent with Chapter 17 (intellectual property).

If plain packaging contravenes Article 1708.10, then the exclusion provided in Article 1110.7 does not apply.

The Trade-Marks Committee is concerned that any prohibition or undue restriction on the use of trade-marks on tobacco packaging could be viewed as tantamount to expropriation of what are extremely valuable assets. In effect, the trade-mark and the goodwill associated with the trade-mark, would be taken from the trade-mark owner, prejudicing the owner's ability to protect its trade-mark interests in the future.

While expropriation is permitted for a public purpose on a non-discriminatory basis in accordance with due process of law, which may well apply to certain expropriations such as those dealing with tobacco products primarily for reasons of public health, the expropriation could not be done without payment of compensation.

### **III. TRIPS**

Canada, along with a number of other countries, has participated in negotiations on TRIPS, an agreement under GATT which is intended to

harmonize intellectual property laws on an international basis and to provide minimum standards of protection of intellectual property rights.

Article 2 states that Members may deny registration of a trade-mark on grounds other than those set out in Article 1 (which defines the registrability of a trade-mark), provided that these grounds do not derogate from the provisions of the *Paris Convention* (1967). Article 4 states that the nature of the goods or services shall in no case form an obstacle to registration of a trade-mark. The same wording appears in Article 7 of the *Paris Convention*. These international obligations are of particular significance in the discussion of plain packaging requirements.

Article 20 (similar to NAFTA's Article 1708.10) states that the use of the trademark in the course of trade shall not be unjustifiably encumbered by special requirements, such as use with another trade-mark, 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.

As with the provisions under NAFTA, these TRIPS articles do not allow certain obstacles to registration or special requirements which interfere with the use of trade-marks in commerce. Canada's trade-mark registration system is based on use: in order to obtain registration, the trade-mark must be in use in Canada or in some other country; in order to maintain the registration, the trade-mark must be in use in Canada. If Canada prohibits or unduly restricts the use of trade-marks on tobacco products, it will impair the ability of trademarks owners to register and maintain registrations for their trade-marks.

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On this basis, the Trade-Marks Committee is concerned that Canada would not be in compliance with its international obligations if it prohibits or unduly restricts the use of trade-marks on any products, including tobacco products.

**IV. CHARTER CONCERNS**

The *Charter* recognizes and protects "freedom of expression" which includes "commercial speech". In the opinion of the Trade-Marks Committee, freedom of commercial speech includes the right to use one's trade-marks to distinguish one's products both as to source and as to quality.

The Quebec Court of Appeal reviewed, in considerable detail, freedom of commercial speech in the context of the *Tobacco Products Control Act*. In *Re RJR MacDonald Inc. and A.G. of Canada*<sup>2</sup>, the Quebec Court of Appeal upheld restrictions with respect to advertising of tobacco products and the use of tobacco trade-marks for promotional purposes (i.e. other than on the packaging for tobacco products). The restrictions were conceded to be in violation of the freedom of commercial speech but the Court concluded that the violation was a reasonable limit in a free and democratic society. In particular, the Court concluded that there was sufficient evidence "to establish a reasonable basis for the legislative action and to justify the rational connection between the objective sought and the means utilized" (at 326). However, in reaching

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<sup>2</sup> (1993), 102 D.L.R. (4th) 289

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this conclusion, the Court stated that the "citizen who wishes to smoke or the smoker who intends to continue to do so may still obtain necessary information with respect to the nature and content of the purchased product" (at 327).

It is the view of the Trade-Marks Committee that part of the "necessary information with respect to the nature and content of the purchased product" is the source and quality of the product. The use of trade-marks is the most effective way of communicating that information. The use of the manufacturer's name may not be sufficient since, in many cases, the consumer will not be aware of the manufacturer's name.

Accordingly, the Trade-Marks Committee has serious reservations as to whether prohibition or undue restriction on the right of tobacco manufacturers to use their trade-marks on their products would withstand the scrutiny of the Charter.

#### V. CONCLUSION

If a product is hazardous and the public must be protected from the product, the sale of the product can be banned. However, by prohibiting or unduly restricting a producer's right to use its trade-marks while still allowing the product to be marketed, the rights of the manufacturer to identify its product would be expropriated without compensation for the loss and the government would simply be adding to the risk of consumer deception, not lessening the availability of the product.

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While there may be a public interest in reducing the consumption of tobacco products in Canada, it is the view of the Trade-Marks Committee that tobacco producers, so long as tobacco products may be legally sold in Canada, should not be prevented from making use of their trade-marks on tobacco packaging nor should restrictions be imposed which would unduly restrict the effectiveness of the trade-marks in terms of size and positioning.

Manufacturers of all products have a right to convey to their customers information as to source and quality; consumers have a right to obtain that information so that they can ensure that they are purchasing their preferred product. As well, consumers must be protected from acts of unfair competition which impair their ability to get the product they want. Trade-marks have proven to be the most effective means of achieving these goals. Any attempts to restrict the effectiveness of trade-marks must be viewed with serious concern.

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