



**The Institute of
Patent and Trade Mark
Attorneys of Australia**

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7 July, 2011

Assistant Secretary
Drug Strategy Branch
Department of Health & Ageing,
GPO Box 9848
Canberra ACT 2606

BY EMAIL
tobaccoplainpackaging@health.gov.au

Attention: Tobacco Reform Section
Re: Exposure Draft Tobacco Plain Packaging Bill 2011

Dear Sir,

The Exposure Draft Bill raises a number of issues that have direct bearing on the law of trade marks in Australia. In particular, the Bill includes proposals which are contrary to fundamental principles of the law of trade marks and, furthermore, the prohibitions on the use of trade marks undermine the statutory definition of a trade mark.

For these reasons, the Draft Bill is of concern to the Institute of Patent and Trade Mark Attorneys and the Tobacco Reform Section is requested to consider the following comments.

PRELIMINARIES

- (i) The definition of tobacco products in the Bill is very broad in the sense that the definition covers "any product that contains tobacco". This is qualified by (a) and (b) under that definition. Even so qualified, the definition appears to include items of confectionery that may be tobacco flavoured. Also, giving the meaning of the word "snuffing", the definition may include tobacco scented candles and aromas extending to body lotions and aftershave (for men).

It follows that the prohibitions contained in the Bill may go much further than tobacco products per se and this would have the

effect of preventing the use of trade marks on a wider range of goods than was previously envisaged.

- (ii) Commentary on the Draft Bill without having access to the Regulations is difficult. This is especially so given that the precise terms of what is permissible and what is not permissible in relation to prescribed requirements for trade mark use are not available.

How do Sections 15(1) and (2) of the Draft Bill "fit" with the Trade Marks Act, 1995

Sections 15(1) and (2) state that the Registrar must not do any of the things in subsection (2) merely because the registered owner of the trade mark is prevented from using the trade mark ... or, as a result of being so prevented, a trade mark is not able to be used to distinguish tobacco products.

The "things" in subsection (2) that the Registrar must not do include rejecting, revoking and/or, refusing to register or remove the trade mark, etc.

Subsection (1) specifically refers to the "registered owner" in (a) and, by implication, (b) also refers to a registered owner – i.e. ... as a result of (the registered owner) being so prevented This is important because even though subsection (2) refers at (a) to an application for the registration of a trade mark, subsection (1) appears to be limited to actions by a **registered owner** of a trade mark and does not extend to an **applicant** for the registration of a trade mark.

Use is a cornerstone of Anglo-Australian trade mark law and the requirement of use, or an intention to use, permeates the Trade Marks Act, 1995. Prohibitions on the use of trade marks for tobacco products has implications for the wide and operation of the trade mark system in Australia in the sense that fundamental principles of the law of trade marks are firmly centred on the requirement of use or an intention to use, as follows:

- (i) Under **Section 17**, a trade mark is defined as a sign *used or intended to be used* Without use, or an intention to use, a sign does not satisfy the requirements of the statutory definition of a trade mark under section 17. The consequence of this is that, regardless of the wording of section 15(1) and (2) no trade marks for tobacco products – other than a block letter word mark – can be registered under the Trade Marks Act. Furthermore, all trade marks registered under the Trade Marks Act for tobacco products – other than block letter word marks – are now outside the definition of what constitutes a trade mark under the Trade Marks Act.
- (ii) **Section 27** of the Trade Marks Act provides a threshold requirement for the making of a trade mark application. Under subsection 27(1)(b)(ii) it is a prerequisite for making an application for a trade mark that the applicant is "using or intends to use" the trade mark sought to be registered. The prohibition on the use of trade marks, other than block letter word marks, for tobacco products has the consequence that traders in tobacco

products are excluded from the application process by virtue of their inability to satisfy the requirements of section 27. This exclusion of certain traders from the trade mark application process has implications in relation to Australia's international obligations, especially article 6 quinquies and Article 7 of the Paris Convention.

- (iii) The section in the Trade Marks Act that determines the registrability of a trade mark is **Section 41**. As presently worded – and in its amended form – the requirement of use plays a significant part in the operation of the section, as follows:
- a. subsection (1) (and subsection (3), as amended) provides that use of a trade mark by a predecessor in title is taken to be use of the trade mark by the applicant;
 - b. subsection (5) requires that the Registrar consider the use or intended use of the trade mark by the applicant;
 - c. subsection (6) refers to the extent to which the applicant has used the trade mark before the filing date.

Notwithstanding these requirements for the assessment of the registrability of a trade mark, section 15 of the Exposure Draft states that the Registrar must not reject an application for the registration of a trade mark or must not refuse to register a trade mark merely because the "registered owner" is prevented from using the trade mark or, as a result of (the registered owner) being so prevented, a trade mark is not able to be used to distinguish tobacco products.

The consequence of this appears to be that a trade mark for tobacco products, other than a block letter word, that would otherwise be subject to subsections 41(5) and 41(6) should be allowed to proceed to acceptance regardless of whether or not the trade mark has been used or whether or not the applicant has an intention to use. This creates a new category of trade marks that do not require use in order to proceed to acceptance and registration and, once registered such trade marks, are safe from any challenge to revoke or remove the registered mark.

A two-tier trade mark system

The trade mark regime under the Trade Marks Act 1995 is a regime based on use or, at the very least, an intention to use. The trade mark regime envisaged under the Draft Bill is a regime in which a large number of trade marks are not used but allowed to proceed to registration –and to remain unchallenged on the register - by virtue of section 15(1) and (2) of the Bill.

In effect, this creates a two-tier trade mark system in Australia. This situation presents problems both within Australia and in relation to Australia's international obligations under the Paris Convention and the TRIPS Agreement. The international issues are discussed separately below. Within Australia, a major change in trade mark law is being introduced via the Tobacco Plain Packaging Bill without regard to how a two-tier system will function and without regard to the impact that this is likely to have on trade mark law and practice in Australia – for example, is a trade mark

"used" if recourse is had by a registered owner to the provisions of Part II (Voluntary Recording of Claims) of the Trade Marks Act? Also, how does Part 12 apply in relation to trade marks registered under the Trade Marks Act but which no longer satisfies the statutory definition of a trade mark under section 17?

"The proposed legislation affects use, not registration?"

It has been contended that the plain packaging legislation serves to prohibit **the use** of trade marks for tobacco products but not the **registration** of trade marks for tobacco products and Section 15(2) seeks to ensure that trade mark registrations under the Trade Marks Act remain "safe" from challenge. However, section 15(1) and (2) do not address the threshold requirements of establishing that a sign sought to be registered is a trade mark within the meaning of section 17 or the threshold requirements under section 27 for making an application for registration of a trade mark based on use or an intention to use. Because an applicant's sign, logo, brand or other identifying mark for tobacco products (other than a block letter word) cannot be used, and/or cannot be intended to be used, that sign, logo, brand or other identifying mark for tobacco products does not meet the statutory requirements that define what a trade mark is. For the same reason, a person seeking to register a sign, logo, brand or other identifying mark cannot satisfy the criteria prescribed under section 27 for the making of a trade mark application except in respect of a block letter word.

Any statutory provisions which inhibit or preclude the **registration** of a trade mark (as distinct from prohibitions relating to the use of a trade mark) have implications beyond the Australian Trade Marks Act. In particular, obligations in relation to the registration of trade marks arise under the Paris Convention. In terms of Article 2 of the TRIPS Agreement, Australia has a commitment to comply with specified provisions in the Paris Convention and those provisions include obligations that relate to the registration of trade marks.

PARIS CONVENTION: Article 6 quinquies A(1) states that "every trade mark duly registered in the country or origin shall be accepted for filing and protected as in the other countries of the Union, subject to the reservations indicated in this Article ...". Such reservations (Art 6 quinquies A(2)) have no bearing on trade marks for tobacco products. However, any application to register in Australia a trade mark for tobacco products (other than a block letter word) would fail to meet the requirements of section 27 in the sense that the applicant would be prohibited for using or intending to use the trade mark in Australia. There is nothing in section 15 to remedy this defect in the trade mark application procedure.

The Paris Convention has further relevance under Article 7. That article stipulates that the nature of products should not form an obstacle to the registration of a trade mark.

Because of the prohibition on the use of trade marks (other than block letter word marks), applicants for such trade marks are prejudiced. This constitutes a contravention of Australia's obligations under the Paris Convention.

"Special requirements" and Article 20 of the TRIPS Agreement

It is indisputable that the requirements in the regulations dictating the font size or the placement of trade marks on tobacco products or packaging for tobacco products are a special requirement and, as such, those requirements fall within Article 20 of the TRIPS Agreement.

That article reads as follows:

[t]he use of a trade mark 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.

What is meant by "unjustifiably encumbered"?

The justification that most readily comes to mind, is that the special requirements will serve to "discourage the use of tobacco products". However, in the context of trade marks, the issue is whether the prohibition on the use of trade marks for tobacco products is justified because that prohibition will discourage the use of tobacco. In simple terms, no one knows if this outcome will occur or is even likely to occur. The Bill appears to say that use of a trade mark on or in relation to tobacco products in plain font is permissible but, if that trade mark appears in script (other than plain font), then its presence on packaging will have the effect of encouraging the use of tobacco. This is a difficult, if not impossible, line to draw. Furthermore, it is not unreasonable to say that, at this point in time, it is not objectively ascertainable that prohibiting trade marks on tobacco products will discourage the use of tobacco products. For these reasons, the special requirements proposed to be imposed on tobacco trade marks, other than word marks, do not appear to have the necessary level of justification to avoid contravention of Article 20.

CONCLUSION

Please let us know if you wish us to further address any of the matters canvassed above.

Anne Makrigiorgos
Convenor- Trade Marks Committee
IPTA
6 June 2011