

Summary Report Plain Packaging Questionnaire

Introduction

In view of the Australian plain packaging legislation and similar legislative initiatives in a number of other jurisdictions, AIPPI has decided to study the legal basis for adopting plain packaging. To this end, a questionnaire was submitted to the national groups. The questionnaire examined legal frameworks in national systems that limit or prohibit trademark use in particular product classes based on stated public interest considerations and what rights affected trademark holders may have in those circumstances.

A total of 26 reports were received by the Reporter General. Reports were received from the national Groups of Argentina, Australia, Brazil, Canada, Chile, China, Colombia, Denmark, Egypt, Estonia, France, Germany, Italy, Japan, Latvia, Mexico, the Netherlands, New Zealand, Peru, the Philippines, Poland, Spain, Switzerland, Thailand, the United Kingdom (UK), and Ukraine.

A summary of the responses follows below. For a detailed account of any particular response please refer to the respective National Group Report at <https://www.aippi.org/?sel=questions>.

Reports received after 2 September 2013 are listed above but their content is not included in the summary.

Questions

Please answer the following questions. For each of questions 1) – 10) below, please answer in relation to your country's national laws including any constitutional law.

- 1) *If the general conditions of registrability are met, does the product or service in relation to which a trade mark is used or proposed to be used have any effect on the ability to:*
 - (a) *register the trademark; and*
 - (b) *use it once so registered?*
- (a) Nearly all Groups state that the nature of the product or service does not have any effect on the ability to *register* the trademark. The Groups from Estonia, the Philippines, and the UK note that this follows from Article 7 of the Paris Convention, reconfirmed by Articles 2.1 and 15.4 of TRIPS, which provide that the nature of the goods or services to which a trademark is to be applied “shall in no case form an

obstacle to the registration of the trademark”.

The Colombian Group stresses that although a trademark can be excluded from protection if it is contrary to law, this prohibition only relates to the sign itself and not the goods or services which the trademark is used for. The Italian Group notes that Italian courts have considered signs used for illicit products or services (e.g., fortune telling, counterfeiting) as being trademarks which are contrary to law. The Japanese Group mentions that when a designated service can only be conducted by a person who has the qualification to do so (e.g., legal services), persons who are not qualified cannot register a trademark for such services.

- (b) Most Groups state that there are no prohibitions against *using* a registered trademark which arise from the goods or services which the trademark is used for. Several Groups (Australia, France, the Netherlands, New Zealand, Poland, Sweden, Ukraine) note that some specific goods such as alcoholic beverages, poisons, tobacco products, and pharmaceuticals have restrictions on packaging, required notices, and advertising.

The Danish Group notes that although it is possible to register a trademark for nuclear power plants, it is against the law to use such a trademark for respective services. Danish law also prohibits the use of a trademark which is known for tobacco products for marketing other types of products or services. Conversely, tobacco products cannot be marketed under a trademark which is known for other products or services. Similarly, in France, the law prohibits the use of a trademark for tobacco or alcoholic beverages for other types of products or services. As a result, when a trademark is registered for tobacco or alcoholic beverages, the owner of an earlier similar mark may find himself in a situation where he is no longer able to use his trademark. To overcome this situation, the owner of the earlier trade mark is entitled to seek the invalidation of the tobacco/alcoholic beverages mark based on bad faith, according to French precedents.

In Australia, the Tobacco Plain Packaging Act (TPP Act) has imposed specific restrictions on the ability to use trade marks in relation to tobacco products. The restrictions prohibit the display of any trade marks on a tobacco package other than a word mark identifying the product and the variant in a prescribed font and size in prescribed position in a small part of the packaging. It is prohibited to use trade marks which include specific graphical components, fonts, colours, or elements of packaging. It follows from this restriction that all cigarette packages are identical in layout, colour and appearance, apart from the prescribed rotating health messages and images required on the outside of the package.

2) *What rights are derived from trademark registration?*

A significant majority of the Groups notes that the owner of a registered mark has the right to prevent use of the trade mark by others.

Two Groups (Australia, New Zealand) note that the owner of a registered mark also has the right to authorise others to use the trade mark. In Australia, a

registered trademark is recognised by statute as personal property.

About half of the Groups point out that a registered trademark gives its owner an exclusive right to use the trademark.

The Dutch and UK Groups explain that while the traditional view is that a registered trademark conveys the exclusive right to restrain others from using the trademark (referred to as *ius prohibendi*), the more modern view is that a registered trademark equally conveys the right to use the trademark (referred to as *ius utendi*). A number of other Groups (Denmark, Italy, Spain, Turkey, and Ukraine) confirm that a registered trademark conveys both an exclusive right to use the trademark (*ius utendi*) as well as the right to prevent others from using the trademark (*ius prohibendi*).

The Dutch and UK Groups stress that the recognition of a registered trademark as an exclusive right to use the trademark is compatible with the recognition of a registered trademark as a property right. In this regard, both Groups note that the European Court of Human Rights has (in the *Anheuser-Busch* case) recognised registered trademarks as rights of property. A number of other Groups (Argentina, Brazil, France) equally refer to the trademark right as being a property right.

The French Group notes that despite the recognition of the trademark as property right, the trademark owner is not entitled to use a trademark unimpeded by provisions of public law. Also the Dutch and UK Groups stress that there is a public interest exception which is subject to payment of fair compensation for loss.

A number of Groups (Argentina, Estonia, Mexico, the Netherlands, New Zealand, Peru) mention that the owner of a registered mark also has the right to assign the trademark, license it or give it as security.

3) *What rights exist in relation to a sign used as a trademark but not registered? What is the basis of any such right?*

In about half of the reporting countries (Argentina, Australia, Canada, China, Denmark, Italy, Japan, Mexico, New Zealand, Poland, Sweden, UK and Ukraine) unregistered trademarks which have been extensively used and have, therefore, acquired distinctiveness are generally protected by either unfair competition law or the common law action of passing off.

In some countries (Colombia, Estonia, France, Latvia, the Netherlands, Peru, Spain), an unregistered trademark has to be notorious or well known to be protected.

In Germany, unregistered trademarks are protected both on the basis of acquired distinctiveness and as well known marks.

In the Philippines, unregistered trademarks are protected in equity.

4) *Is it possible to:*

- (a) obtain; or
- (b) maintain;
registration for a trademark that is not:
 - (i) used; or
 - (ii) intended to be used?

In all reporting countries except Australia and Canada a trademark may be obtained even if there is no intention to use the trademark. In Australia and Canada, the application will not issue to registration if there is no intention to use the trade mark at the time of filing.

In about half of the reporting countries (Argentina, Brazil, Estonia, France, Germany, Italy, Latvia, the Netherlands, Poland, Spain, Sweden, Turkey, and UK) if a registered trademark is not used for a continuous period of five years, then it may be attacked for non-use.

In the rest of the reporting countries (Canada, China, Colombia, Japan, Mexico, New Zealand, Peru, Philippines, Thailand, and Ukraine) a trade mark may be attacked for non-use if is not used for a continuous period of three years. This also applies for Australia except that in Australia, trade marks related to a tobacco product, whose use is constrained by the TPP Act, cannot be removed for non-use, or on the basis that the applicant has no intention to use the trade mark.

- 5) *If yes to 4) above, are the rights derived from such trademark registration the same or different to registered trademarks that are used?*

All reporting countries except China agree that the rights are essentially the same. The Chinese Group notes that the owner of a trademark that is not used is not entitled to seek damages for trademark infringement.

The UK Group mentions that the protection given to a registered mark that is used can be broader because of the provisions relating to marks having a reputation.

In Australia, for those trade marks whose use is constrained by the TPP Act, any infringement is also so constrained, but rights in relation to the word marks may continue to be asserted against infringing goods.

- 6) *Are rights in unregistered trademarks dependent on use? Whether yes or no, please explain the basis for your answer.*

Essentially all Groups state that rights in unregistered trademarks are dependent on use.

In the context of an unfair competition action, the owner of the unregistered trademark must be able to establish extensive use of the unregistered mark.

In the context of a passing off action or in the case of a well known mark, the owner of the unregistered trade mark must be able to establish reputation in the

unregistered mark, which only arises as a result of extensive use or promotion of the mark. A number of Groups (Canada, Colombia, France, the Netherlands, Sweden) note that in the case of a well known mark use can take place abroad.

- 7) *Is there any basis to restrict the use of:*
(a) *a registered trademark; or*
(b) *a sign used as a trademark?*

If yes, please explain any relevant laws or precedents.

In many countries (Argentina, Canada, Chile, Mexico, the Netherlands, New Zealand, Peru, Thailand, Turkey, Ukraine) advertising of tobacco products is subject to extensive restrictions resulting from administrative law. In a number of other jurisdictions (Denmark, Japan, Peru, and Thailand) advertising of food products and pharmaceuticals is equally subject to restrictions resulting from food law and pharmaceutical law.

According to the French Group it is well established that any property right, including a trademark right, may be restricted on the basis of public interest considerations. Similarly, the Colombian Group notes that the public interest exception in the Constitution could well be a basis for restricting the use of trademarks, although no precedents exist.

The German Group states that there is no basis in trademark law to restrict the use of a trademark. A number of other Groups (China, Mexico, the Philippines, and Spain) state more broadly that there is no legal basis to restrict the use of trademarks, even beyond trademark law.

In Australia, the TPP Act restricts the use of trade marks in relation to packaging of tobacco products. This legislative restriction has been challenged at the High Court and held to be constitutionally valid.

The above statements apply regardless of whether the trademark in question is a registered trademark or *a sign which is used as a trademark*. Some Groups (Argentina, Germany) specifically state that no distinction is made between *the use of a registered trademark and a sign used as a trademark*.

- 8) *Is there any basis for the state or any state-controlled body to expropriate?*
(a) *a registered trademark;*
(b) *a sign used as a trademark; or*
(c) *the rights deriving from either (a) or (b)?*

If yes, please explain any relevant laws or precedents.

- (a) In the majority of reporting countries (Argentina, Brazil, Chile, Colombia, Denmark, Estonia, France, Germany, Japan, Latvia, Peru, Poland, Spain) expropriation of registered trademarks would be possible on the basis of public interest considerations. In the Ukraine, any expropriation of a trademark would require a military or public emergency.

A number of Groups (Chile, Colombia, Estonia, France, Japan, and Poland) note that there is no specific provision allowing for expropriation of trademarks, but the respective legal basis is found in the constitution. In Spain, the expropriation law expressly permits expropriation of IP rights. In Poland, the Constitutional Court expressly held in 2003 that it is possible to expropriate trademarks.

The Colombian Group notes that the constitution allows expropriation only by judicial decision (and against compensation), but not on the basis of legislation. Conversely, the Estonian, German, Japanese and Latvian Groups state that the constitution only allows expropriation on the basis of legislation (and against compensation).

The German Group notes that expropriation would only be possible if the expropriated object fulfilled a public function and the principle of proportionality were respected.

In the minority of reporting countries (Canada, China, Italy, the Netherlands, the Philippines, Sweden, Thailand, Turkey, and the UK) there is no statutory basis that would allow state to expropriate trademarks. In Italy, the law permits expropriation of intellectual property rights, but expressly excludes trademarks. The Canadian and Thai Groups state that the law only allows for expropriation of immovable (or real) property.

In Australia, the High Court held that the plain packaging legislation, which severely restricts the ability of many trade marks to be used as trade marks, did not amount to a compulsory acquisition (which was the basis of the challenge to the TPP Act). Conversely, the Polish Group stresses that if the law restricted the use of the trademark to the extent that the law actually deprives the trademark owner of its right, such restriction would still be considered a (real or actual) expropriation (even if no formal expropriation took place).

- (b) A number of Groups (Argentina, Brazil, Canada, Chile, China, the Philippines, and Ukraine) note that an expropriation of unregistered marks is not possible. Some Groups (Argentina, Brazil, Chile, and Ukraine) explain that an expropriation would not be possible because unregistered trademarks do not convey property rights. The Canadian Group states that there is no statutory basis that would allow state to expropriate trademarks, registered or unregistered ones.
- 9) *If yes to 7) or 8) above, do public interest considerations provide any basis for such restriction or expropriation ("Restriction/Expropriation")? If yes, please explain any applicable public interest considerations, and any relevant laws or precedents.*

Nearly all Groups (Brazil, Canada, Chile, Colombia, Denmark, Estonia, France, Germany, Italy, Japan, Latvia, the Netherlands, New Zealand, Peru, Spain, Sweden, Thailand, UK, and Ukraine) confirm that public interest considerations provide a basis for restriction and/or expropriation of trademark rights.

A number of Groups (Chile, Colombia, France, the Netherlands, Peru, Sweden, UK, and Ukraine) mention that the public interest in protecting public health could justify restricting and/or expropriating trademark rights. Similarly, the Canadian Group notes that the public interest in combating tobacco promotion could justify restricting trademark rights.

The Australian Group explains that the plain packaging legislation and the constraints on the use of trade marks in relation to tobacco products are imposed on the basis of public health considerations, and more specifically, to reduce the incidence of new smokers and reduce consumption by existing smokers.

The UK Group mentions Article 8 of TRIPS allowing measures necessary to protect public health, but stresses that such measures are only allowed if they are consistent with the provisions of TRIPS and that any public interest must be proved by appropriate evidence.

Apart from public health considerations, the following other public interest considerations are mentioned as a possible basis for restriction and/or expropriation of trademark rights: consumer protection (Brazil, Sweden), technological or economical development (Brazil), preservation of environment (Chile), national safety (Chile), and protection of appellations of origin (France).

10) *If yes to 7) or 8) above, are trademarks different from other intellectual property rights in this regard?*

Most Groups state that trademark rights are not different from any other intellectual property rights with regard to a possible restriction and/or expropriation.

In Italy, the law generally permits expropriation of intellectual property rights, but expressly excludes trademarks.

The Swedish and Turkish Groups stress that the regulations restricting the advertising of tobacco products only apply to trademark rights.

The Australian and Swiss Groups note that patent law specifically permits expropriation of patents against compensation. Similarly, in France there is an express provision allowing for expropriation of patents for the needs of national defense.

A number of Groups also note that patent law – unlike trademark law – specifically provides for compulsory licensing.

(11) *If yes to 7) or 8) above, are any treaty or other international obligations relied on to provide a basis for such Restriction/Expropriation (as applicable)? If yes, please explain the international obligations, and how those obligations are reflected in or received into your country's law.*

Most Groups state that no such provisions are relied on.

The French Group notes that some of the public interest considerations relied on for a restriction and/or expropriation are equally found in international instruments, including the European Convention on Human Rights, among others. Similarly, the Dutch Group notes that Article 2 (right to life) and Article 8 (right to private and family life) of the European Convention on Human Rights ("ECHR") can be relied on for restricting advertising for tobacco products.

Some Groups (Brazil, Canada, Mexico, Thailand, Ukraine) also mention the *WHO Framework Convention on Tobacco Control* in this context, but this international instrument will be discussed further below.

- 12) *Is your country a signatory to the WHO Framework Convention on Tobacco Control ("FCTC")? If yes, has your country ratified the FCTC?*

The FCTC has been signed by all reporting countries except Argentina.

The FCTC has been ratified by all reporting countries except Argentina and Switzerland. Moreover, while the FCTC itself has been ratified by Denmark, the guidelines for implementation of Articles 11 and 13 of the FCTC have not.

- 13) *If yes to 12) above, has the FCTC been implemented in your country? If yes, please explain its legal impact, if any, including by reference to the Guidelines for Implementation of Articles 11 and 13 of the FCTC.*

All reporting countries which have ratified the FCTC except Sweden and the UK have implemented the FCTC. The Swedish government has put forward a proposal for implementing the FCTC.

The Dutch Group notes that their country's legislation was already in compliance with the FCTC obligations and, thus, no further implementation of the FCTC was required.

Article 11 of the FCTC prescribes certain measures relating to the packaging and labeling of tobacco products. Article 11 obliges a party to adopt and implement measures ensuring that tobacco packaging does not promote a tobacco product by means which are false, misleading or likely to create an erroneous impression about its health effects and hazards.

Article 13 contains various obligations, including undertaking a comprehensive ban of all tobacco advertising, promotion and sponsorship.

The FCTC itself makes no mention of plain packaging. The guidelines for the implementation of Article 11 and Article 13, however, provide that parties should consider adopting plain packaging.

A number of Groups confirm that their countries have implemented various measures regarding tobacco advertising and promotion, including adopting restrictions on tobacco advertising and promotion (Germany, Japan, New

Zealand, Peru, the Philippines, Poland) or a comprehensive ban of tobacco advertising, promotion and sponsorship (Brazil, Chile, China, Colombia, Spain, Thailand, and Turkey).

Most Groups confirm that their countries have also implemented labeling and packaging measures, including, among others, adopting health warning messages (Brazil, Canada, Chile, Italy, Japan, Mexico, New Zealand, Peru, Poland, Spain, Thailand and Turkey) and images of the harmful effects of smoking (Brazil, France, Mexico, Spain, Thailand, and Turkey) covering a specific percentage of the packaging area (ranging from 100% (Brazil), 65% (Turkey), 55% (Thailand), 50% (Canada, Peru) to 40% (Poland)).

Plain packaging has only been adopted in Australia. The Thai Group mentions that additional measures for implementing the FCTC, including adoption of plain packaging, have been proposed and are currently under discussion.

The Canadian and Mexican Groups note that in their countries cigarettes cannot be marketed under terms "light", "low tar", "ultra light" or "mild".

The German, Spanish and Turkish Groups mention that their countries have also adopted smoking prohibitions in public areas and restaurants.

According to the Japanese Group, Japan has also undertaken measures regarding tobacco pricing and health insurance.

- 14) *Is the FCTC received directly into your country's domestic law or is domestic legislation required to give it effect in your country's law?*

In most reporting countries (Australia, Canada, Chile, Colombia, Denmark, Estonia, Germany, Italy, Japan, Mexico, New Zealand, Peru, Poland, Spain, Sweden, Thailand, Turkey, UK, Ukraine) domestic legislation is required to bring the FCTC into legislative effect.

In some reporting countries (Brazil, China, France, Latvia, and the Philippines) the FCTC is received directly into the country's domestic law. The Dutch Group notes that to the extent the FCTC contains provisions that are sufficiently clear and aimed at having direct effect, it is received directly into Dutch law.

- 15) *If there is presently a legal basis in your country for permitting any Restriction/Expropriation, please answer the following questions in relation to both registered trademarks and unregistered trademarks (if your country recognizes/protects the latter).*

(a) *What are the parameters for such Restriction/Expropriation? For example, the nature of any stated public interest considerations, the proportionality of the proposed measure to the Restriction/Exploration.*

(b) *Is it relevant that such Restriction/Expropriation only applies in relation to a particular class of products, eg tobacco products, foods deemed to be unhealthy or alcohol?*

- (c) *What are the financial consequences for the state and the trademark rights holder respectively? For example, is a rights holder entitled to or eligible for any compensation in respect of the Restriction/Expropriation? If yes, what type of rights holders are so entitled or eligible? If not, why is no compensation available?*
- (d) *If compensation is available, how is it calculated?*
- (e) *Does a trademark rights holder affected by Restriction/Expropriation have any other claims or remedies against the state? If yes, please explain the basis and nature of any claims or remedies.*
- (f) *In the event of Restriction/Expropriation, could a trademark remain registered?*
- (g) *If yes, what is the consequence of any Restriction/Expropriation on a well known trademark that was registered prior to the Restriction/Expropriation?*

- (a) The German Group notes that according to German law an expropriation is only allowed in case of general public interest and only on the basis of an act which specifies the extent of compensation.

The French Group stresses that only a sufficiently important public interest justifies a restriction or expropriation. To determine this, the French Group proposes to apply the balance of interest test, to the effect that the restriction and expropriation must not be disproportionate or unreasonable, and must not undermine the substance of the right. The balance of interest test is also stressed by the German Group. Equally, many Groups (Estonia, Denmark, Germany, the Netherlands, Switzerland, UK) emphasize that measures would have to be proportional.

A number of Groups (Estonia, Denmark, UK) note that any public interest would need to be demonstrated and documented. For tobacco products, the main considerations are public health considerations.

The Canadian Group states that laws restricting proprietary rights must be (i) rationally connected to the objective, (ii) minimally impair the right and (iii) be proportionate or balanced in effect. Absent new and persuasive studies on the effects of cigarette package labeling on consumers, a total ban on using logos and trademarks in tobacco packaging does not only minimally or proportionately impair the freedom of expression rights of tobacco companies.

- (b) Some Groups state that it is not relevant that the restriction or expropriation only applies in relation to a particular class. On the other hand, many Groups (Germany, Estonia, Canada; Japan, Peru, Spain) note that the assessment of proportionality and, therefore, whether the restriction or expropriation is justified, must be made for each specific class. While plain packaging could be still proportionate and, thus, legitimate for one particular class, it could be considered disproportionate for another class.

On the other hand, the French, Dutch and Polish Groups mention that this approach could be held as amounting to unjustified discrimination.

- (c) Most Groups note that compensation would be required in case of an expropriation. The Dutch and UK Groups refer to Article 17 of the Charter of Fundamental Rights of the European Union in this regard. TRIPS and the ECHR do not expressly mention compensation.

However, many Groups (Colombia, Italy, Spain, Sweden, Turkey) state that compensation would not be required for restrictions. In relation to the restrictions imposed by the TPP Act, the Australian Group confirms that no compensation is available, and this position has been confirmed by the High Court.

The Canadian Group does not think that compensation would be required given that it is unclear that plain packaging would constitute legal expropriation.

However, several Groups (Denmark, France, Switzerland and Germany) mention that compensation would be equally required for restrictions if one could argue that restrictions are so burdensome that they, in effect, amount to a de facto expropriation.

The German Group report explains that plain packaging regime does not amount to complete or partial deprivation of specific property to satisfy certain public functions. The property in the tobacco trademarks is not used to fulfill a specific public function. Hence, the effects of plain packaging do not constitute a formal expropriation. However, the German Group thinks – and the Swiss Group agrees – that plain packaging, if adopted, would, in effect, result in a de facto expropriation. The German Group concludes that it is rather unlikely that compensation would be available in Germany. The German Group stresses, however, that compensation would be justified on the basis of the principle of proportionality.

- (d) The Danish and Swiss Groups mention that in case of expropriation it is required that the owner is fully and completely compensated. Similarly, the French Group notes that all prejudice suffered should be taken into account to assess the amount due.

The Swiss Group notes that the compensation is calculated based on the market value of the proprietary rights in case of a full expropriation. With regard to a restriction, the compensation may include the difference between the market value without the restriction and the market value with the restriction.

Some Groups (Chile, Colombia) state that initially, there is a stage of negotiations between the parties for establishing the compensation. If there is no agreement, an expert will help determine the compensation.

- (e) The Dutch Group mentions the possibility of bringing an action against the State based on a violation of an international instrument, including the First Protocol on the ECHR and Article 17 of the EU Charter of Fundamental Rights, the Paris Convention (in case of a well-known mark) and the TRIPS to declare these

measures illegal and prevent them from being implemented.

Similarly, the Swedish Group mentions that compensation could perhaps be claimed from the State based on a violation of the ECHR.

Some Groups (Germany, Japan, and Peru) mention the possibility of attacking legislation before the country's constitutional court on grounds of unconstitutionality.

The Canadian Group notes that an effective way to claim remedies against the state in this context would probably be through submitting a claim for arbitration such as those available under Chapter 11 of the NAFTA. This would allow an investor to challenge a state's compliance with its international obligations.

A number of Groups (Colombia, Spain, Turkey) mention that there are legal remedies available against the judicial or administrative decision finding expropriation.

- (f) A number of Groups (Denmark, the Netherlands, Germany, Switzerland, UK) mention that all trademark registrations would be vulnerable to cancellation based on non-use (depending on the reporting country during 3 or 5 years, respectively). In the context of a plain packaging regime, the trademark could remain registered on the basis that there would be a "proper reason" for non-use, according to the Dutch Group. However, the German Group doubts that a perpetual ban (as opposed to a temporary one) could still be considered a "proper reason for non-use".

Any legislation imposing restrictions or expropriation could also contain special provisions to ensure that the trademarks concerned could remain registered (as the Australian TPP Act does).

On a different note, the Chilean Group mentions that in case of expropriation, the trademark would have to be assigned to the expropriating governmental entity

- (g) A number of Groups (Chile, Colombia, Denmark) note that the main consequence of a restriction or expropriation is a partial or total prohibition of use. The German Group explains that the consequence of a restriction or expropriation on a well-known mark which is registered is the same as for another registered mark, i.e., in case the mark is not used for more than five years, it is subject to cancellation. In case of a non-registered well known mark, the fact that the mark is not used may lead to a loss of the notoriety of the mark which in turn means that the rights in that mark expire, so the German Group states.

The Danish Group concludes that it may be difficult to maintain the status of a well-known trademark as a result of a restriction or expropriation.

- 16) *If there is presently no legal framework in your country permitting*

Restriction/Expropriation, please answer the following questions in relation to both registered trademarks and unregistered trademarks (if your country recognizes/protects the latter).

- (a) What legislative changes would be necessary in your country to implement a plain packaging regime for a specific class or classes of products such as those previously mentioned? For example, amendments to existing domestic trademark legislation, changes to your country's constitution, multilateral or supranational treaty obligations.*
- (b) Could a plain packaging regime be implemented in your country without providing compensation to affected trademark rights holders? If no, what type of rights holders would be entitled to or eligible for compensation? If yes, why would no compensation be payable?*
- (c) Would a trademark rights holder affected by Restriction/Expropriation have any other claims or remedies against the state? If yes, please explain the basis and nature of any claims or remedies.*

- (a) All of the Groups which answered this question (Denmark, Estonia, Mexico, New Zealand, Peru, the Philippines, Sweden, Turkey, UK and Ukraine) state that in order to implement a plain packaging regime, the domestic trademark legislation or some other domestic legislation would have to be amended. The Swedish and Turkish Groups note that their constitution would also have to be amended. In the Philippines, changing the domestic trademark legislation could also raise constitutional issues. The Estonian, Swedish and Turkish Groups additionally mention that international treaties, notably the TRIPS, would also have to be amended. The Swedish Group further mentions unspecified EU legislation which would have to be amended.
- (b) The UK Group notes that any special legislation need not include provisions for compensation, but this would not prevent those affected from seeking compensation under relevant treaties.

The Danish, Estonian and New Zealand Groups stress that compensation would only be payable if the plain packaging regime were regarded as a (de facto) expropriation which is not entirely clear. The trademark owners would be eligible for compensation.

The Peruvian Group thinks that a plain packaging regime would more likely be regarded as a restriction (as opposed to an expropriation) and that therefore no compensation would be payable. The Mexican Group also thinks that no compensation would be payable because of the weight of public health considerations.

The Philippines in turn believe compensation would likely be provided because the trademarks have acquired goodwill over years resulting from advertising, promotion and marketing all of which entail extensive effort and expense.

The Turkish Group notes that compensation may be available under the Foreign Investment Act rather than as a result of the expropriation.

- (c) The Danish and Peruvian Groups note that the legality and constitutionality of the plain packaging legislation could be challenged in the national courts. Similarly, in Estonia, one would have to challenge the taking of property in a national court.

The New Zealand Group states that the plain packaging legislation could be challenged in an international forum if it proved to be inconsistent with an international instrument.

The Turkish Group suggests initiating arbitration and claiming damages based on bilateral investment treaty.

The UK Group sees no other remedies than compensation. The Ukrainian Group suggests challenging the plain packaging legislation before the European Court of Human Rights or the International Center for Settlement of Investment disputes.

General Comments:

As the group which has experienced the legislative innovation which has given rise to the questionnaire, the Australian Group notes the following:

One particular unintended consequence of plain packaging is a likely increase in the prevalence of counterfeiting. This concern is shared by the customs and law enforcement authorities in Australia.

Because all cigarette packages look almost the same, counterfeiters need only learn to make essentially one form of packaging, and insert the brand name of their choice. Also, the characteristics which previously assisted in identifying counterfeit goods, such as specific colors, papers, textures and embossing, are no longer present. Even the cigarettes themselves are not allowed to bear distinguishing marks.

As a consequence, it has become more difficult for customs to identify whether any given shipment is counterfeit or genuine, and hence interceptions become more difficult and less certain in outcome. Equally, it is harder for consumers to tell one brand from another. Those who cannot read English, or who have visual impairments, or the elderly, or those who are simply careless, are now much more vulnerable to receiving the incorrect product, whether by accident or design.

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