

Does plain packaging legislation violate IP?

BY DALE SMITH

For Law Times

A government bill introduced in the Senate aims to ensure that tobacco and vaping products are restricted to plain packaging as part of the ongoing battle to keep children and youth from smoking. With more bills on the order paper that would demand plain packaging for things such as recreational marijuana and even certain kinds of junk food that would be attractive to children, intellectual property lawyers are concerned that these restrictions on brands and trademarks could have broader consequences.

"This is part of a worldwide phenomenon," says Cynthia Rowden, partner with intellectual property law firm Bereskin & Parr LLP in Toronto.

"There are many countries that have now introduced legislation requiring plain packaging, and in some of those countries, for example, Australia, there have been complaints to the World Trade Organization that the limitations are a restriction on trade that is contrary to international treaties that Canada has also signed."

Rowden says lawyers must be aware of the potential legislation because the idea of plain packaging is a unique concept that affects specific products.

She also says it's a fundamental change in the rights of brand owners and anyone who advises them in terms of packaging, labelling or advertising issues, and lawyers should be well aware of these restrictions if and when they come into effect.

Bill S-5, An Act to amend the Tobacco Act and the Non-smokers' Health Act, has just completed study at the Senate's Social Affairs, Science and Technology committee, and it is due to be reported back with amendments to the chamber on May 2. None of those amendments deals with the plain packaging aspects of the bill, which proposes to give government the regulatory authority to restrict what can appear on packaging.

If passed, the bill will go to the House of Commons.

Two other bills currently on the Order Paper also have plain packaging provisions — both Bill C-45, which is the government's bill to set up the legalized framework for recreational marijuana, as well as Bill S-228, a Senate public bill introduced by Senator Nancy Greene Raine that would prohibit food and beverage advertising directed at children.

Rowden is a member of committees that have drafted comments on behalf of the Canadian Intellectual Property Institute, the International Trademark Association with respect to tobacco and the children's advertising draft bill. Rowden has also



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worked on submissions for the Trademark Legislation Committee of the Canadian Bar Association in the past.

She says IP organizations are concerned that consumers will have issues identifying brands of a quality that they have come to know and expect.

"From a consumer perspective, they lose the ability to easily distinguish between the goods that they want and the goods that they don't want," says Rowden.

"The other issue that has a big potential impact on consumers is counterfeiting, and that is an issue that has been identified by the tobacco industry as a problem.

"If you permit packages to be sold that are extremely plain, then you increase the ease with which both counterfeits can be imported and exported and the ability of everybody along the chain, from the customs officials to the wholesalers to the retailers to the consumers, to easily distinguish between what is counterfeit and what is not," says Rowden.

"That brings with it potential health and safety issues along with the ability to control a criminal activity."

The counterfeiting issue would also be a concern with plain packaging around food and beverages that Greene Raine's bill would also mandate.

Rowden says that, from the trademark owner's perspective, there is also the potential for the loss of a tremendous amount of investment in branding, some of which has resulted in certain trademarks becoming iconic, along with protecting and enforcing the rights. Some of that enforcement has meant litigation going as far as the Federal Court of Appeal.

"Use is the foundation of trademark law in Canada and, generally, clients should use the trademark as registered and register the trademark as used," says Paul Lomic of intellectual and social media law firm Lomic Law in Toronto.

"The extent that the legislation precludes use of the trademark puts those trademarks at risk."

According to the Trade-

marks Act, if someone suspects that a trademark has not been used for three years, a Section 45 notice could be drafted where the registrar can request proof that the trademark has been used.

If no proof is provided, the trademark can be struck from the register.

While the bill includes language that purports to protect brand owners from losing trademarks from non-use due to the extraordinary circumstances of the plain packaging legislation, Rowden says its efficacy will depend on how that language is interpreted.

"The longer the non-use, the less likely it would be seen as extraordinary," says Rowden, citing issues such as the depreciation of goodwill if someone were to try to infringe on the trademark on a completely different product, such as a T-shirt.

"I don't know whether this could be considered to be abandonment if you can no longer use a mark because of statutory restrictions," says Rowden.

Lomic says companies "may be able to keep the trademark on the register.

"The loss may be the common law rights that only flow from the actual use of the trademark," he says. "That will be a challenge."

Common law rights include use of branding that develops a reputation even if the branding is not registered with the government, which can be difficult to prove if challenged.

"It certainly is a slippery slope, but this is really a health policy issue — should the government be entitled to restrict a substance that is known to be dangerous?" says Lomic.

"I think the government has taken the position that it ought to be [taking]. The flip side is that the tobacco companies will say this is clearly a legal product. It has trademark implications and they're certainly serious from the tobacco companies' point of view."

Rowden adds that there are many questions that remain because much of the details will be handled by the government regulation after the bill passes.

During committee testimony, representatives of the tobacco industry did raise the issue of their intellectual property rights.

"These measures violate our trademark rights," said Eric Gagnon, director of government and regulatory affairs for Imperial Tobacco Canada.

"As a business involved in the sale of a legal product, we have the fundamental right to use our trademarks."

Gagnon stated that one of the reasons that companies invest in their packaging is to ensure that their products and trademarks are difficult to copy, and he reiterated that contraband products are a major problem in their industry.

"If you remove that trademark, we're saying that illegal traffickers will take over this market," said Gagnon.

"I know some people will say

that contraband is not an issue in Canada. If you don't believe the tobacco companies, ask the RCMP, the SQ or the OPP. Ask the Department of Homeland Security in the U.S. They are on the front line and contraband is a problem."

Gagnon also advised that Canada would be better off waiting for the conclusion of a World Trade Organization challenge launched when Australia introduced its own plain packaging laws. Senators were not moved by Gagnon's arguments, however.

"To date, there has been no finding of a breach of intellectual property rights in any of the other countries that have already implemented plain and standardized packaging," said independent Senator Chantal Petitclerc, the bill's sponsor, in an emailed reply to *Law Times*.

"In [the] United Kingdom, the tobacco industry unsuccessfully challenged the Standardised Packaging of Tobacco Products Regulations 2015, which was upheld by the United Kingdom's High Court of Justice on May 19, 2016 and the decision of the High Court of Justice was subsequently upheld by the United Kingdom's Court of Appeal on Nov. 30, 2016.

Petitclerc says "several countries have implemented plain and standardized packaging."

"There have been also no findings, to date, that plain and standardized packaging infringes on any international trade agreement," she says. **LT**

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