



Canada to Consult on Plain Packaging

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Health Canada has announced its intent to consult on “plain packaging” for tobacco products. Full details have yet to be released, but it is likely that only the brand name could appear on packaging, and coloring and size of packages and tobacco products would be standardized.

The rationale for plain packaging is to reduce overall tobacco use and deter new smokers. However, all brand owners should be interested in regulation of branding. Plain packaging will restrict the use of many long-used registered design marks and familiar elements of trade dress, as well as prevent the adoption and use of new branding in the future.

Most packages display a combination of word marks, designs, colours and package size/shape which contribute to the overall brand identity and are used by consumers to make their purchases. While only tobacco products are currently targeted in Canada, in other jurisdictions, drugs, alcoholic beverages and children’s products are also the subject of plain packaging limitations.

Plain packaging for tobacco is not a new concept, and legislation has been adopted, or is planned in many countries. Australian legislation has been challenged as contravening the *Agreement on Trade-related Aspects of Intellectual Property* (“TRIPS”) before the World Trade Organization. TRIPS confirms that trademarks are private rights, prohibits unjustifiably encumbering the manner in which a trademark is used, and prevents the nature of the product being an obstacle to registration. A decision on the Australian dispute is expected shortly, but attempts to challenge plain packaging regulations in other jurisdictions, such as the European Union, have recently failed.

In addition to TRIPS compliance, plain packaging threatens to put Canada offside the *Paris Convention for the Protection of Industrial Property*, which contains reciprocal provisions requiring trademarks to be protected as in other member countries. Canada’s *Trademarks Act* now requires “use” for registration in Canada, and will continue to make use or intent to use a requirement of registration. If tobacco products marks cannot be used in Canada, they cannot be registered. If other countries continue to permit registration, that will raise additional treaty-compliance concerns.

Apart from concerns relating to international IP treaties, plain packaging raises other issues, including:

- will plain packaging make product copying or counterfeits easier? Tobacco counterfeits are already a known problem, and it may be harder for both consumers to tell the difference between known brands and copies, and for brand owners and customs officials to police the importation and sale of such copies.
- an increased risk of counterfeits brings added health/safety concerns over proper manufacturing and ingredients.
- consumers may find it more difficult to select the actual brand they want, and retailers will also find it more difficult to help them to do so. Plain packaging may result in confusion and mistaken purchases. In fact, in Australia, studies on the impact of

plain packaging suggested that consumers believed that plain packaged tobacco products were of lower quality.

- impact on registration and enforcement of trademarks. As mentioned, Canada's trademark registration system requires use or intent to use for a valid registration. Inability to use designs, logos, or other packaging indicia will prevent registration, and thus deny brand owners protection for infringement and passing off, not only from other tobacco producers, but those seeking to take advantage of brand reputation on unrelated goods.
- cancellation of long-used brands. In Canada, non-use of a mark will not only impact enforcement, but may result in cancellation of registered marks. One interesting point – if a registrant is prevented from using its mark for reasons beyond its control, there are “exceptional circumstances” provisions that may permit the Registrar to maintain a registration even if there was no use. The prospect of many non-used brands on the Register, and the related impact on mark selection and use is probably as troubling as the risk of many cancellations for non-use.
- registered trademarks and trade dress are frequently part of the overall asset valuation of a company. Many companies spend considerable time, expense and effort to search, register, use and enforce those brands. Plain packaging laws will deprive owners of those assets, and erode the overall value of the company.
- a slippery slope. There are other products that may cause health concerns if not used properly or in moderation. Restrictions for tobacco are the first move against free use of branding, and other products could be next.

With a new government with a majority in the House of Commons, it is expected that additional packaging restrictions will be imposed. However, it is hoped that issues of importance to all brand owners will be addressed during these consultations.