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'Plain packaging' laws threaten to turn trademarks into disappearing assets

I laughed when I watched John Oliver's recent satire on his HBO show, "Last Week Tonight," regarding the fight over Australia's plain packaging laws. But for trademark holders, these laws are no laughing matter.

Today's focus on plain packaging rules as part of an anti-smoking campaign is rapidly becoming tomorrow's focus on fatty foods and sugary drinks. Unless this trend is regulated, many companies may have to place monies spent on brand promotion into the bad investment category.

The term "plain packaging" is a misnomer in many cases. Plain packaging laws don't simply mandate that trademark owners wrap their products in the ubiquitous brown paper wrappings used to protect young eyes from the content of adult magazines.

To the contrary, plain packaging, at its least problematic, requires trademark owners to avoid using any marks other than a brand name on their goods. In some cases, these brand names must be in simple block letters. No logos or other design elements are allowed.

But in Australia and Ireland, "plain packaging" mandates the addition of horrific images of the harms of smoking. As I learned on a recent trip to Australia, these images range from pictures of a child in a hospital bed on a respirator to pictures of gangrenous limbs.

The effectiveness of such images as an anti-smoking device is hotly debated. Some have even suggested that the use of such horrific images actually promotes sales among the same group that favored Death cigarettes in the 1990s. Even so, the widespread adoption of such plain packaging laws, and for more than just anti-smoking campaigns, will undeniably undermine brand values.

If you are a non-smoker, like me, it is hard to challenge a law that might reduce the number of smokers. But today's anti-smoking campaigns, which some

might refrain from challenging, are rapidly morphing into campaigns against unhealthy consumer choices. Such unhealthy choices globally include alcohol in the United Kingdom and Indonesia and fatty foods in Chile and China.

But with recent reports in the United States about efforts to reduce the consumption of sugar, can soda and candy be far behind? Would Tootsie Rolls have to be wrapped in plain brown wrappers without their iconic orange, brown and white bands? Would Coca-Cola's red and white be replaced by images of blocked arteries and amputated limbs to show the ill-effects of sugar consumption?

Trademark owners have long dealt with various government regulations that restrict the use of certain phrases. In the United States, the Federal Trade Commission has issued numerous regulations governing the use of information regarding "green" products, "healthy" foods and the like.

Cigarettes and other products have long carried warnings regarding the ill effects of cigarette smoking or the consumption of uncooked items by categories of at-risk consumers. But the present set of plain packaging laws making the rounds on the international circuit go much further than simply providing warning labels.

The Australian plain packaging law has become a model for countries as diverse as Great Britain, France, Ireland, Chile and Indonesia. Titled the Tobacco Plain Packaging Act 2011, its purpose was aimed at reducing the effect of trademarks on encouraging the purchase of the branded product. According to Section 3(1)(a)(i): "The objects of this act are to improve public health by discouraging people from taking up smoking, or using tobacco products." This goal is achieved "by regulating the retail packaging and appearance of tobacco products in order to reduce the appeal of tobacco products to consumers." (Section



Doris Estelle Long is a law professor, director of the Center for Intellectual Property Law and chairwoman of the intellectual property, information technology and privacy group at The John Marshall Law School. She has served as a consultant on IPR issues for diverse U.S. and foreign government agencies, including as attorney adviser in the Office of Legislative and International Affairs of the USPTO. She can be reached at 7long@jmls.edu.

4(1)(a).)

To achieve its stated goal of reducing consumer appeal, only a single brand name can be visible. The font, size and capitalization of the brand are expressly regulated. No logo or special packaging is allowed. Failure to comply with Australia's plain packaging requirements can result in fines equivalent to approximately \$265,000.

Challenges to Australia's law as an unauthorized taking of property failed. Currently, both a domestic investor state dispute settlement, or ISDS, arbitration and a dispute settlement proceeding before the World Trade Organization are underway challenging its legality.

The focus of the ISDS arbitration is Philip Morris Asia's claims that Australia's tobacco plain packaging law constitutes an expropriation of its investments in breach of a bilateral investment treaty between Australia and Hong Kong. The WTO matter focuses on the international norms regarding the types of "encumbrances" that can be placed on trademarks.

TRIPS Article 20 expressly provides that the use of a trademark "shall not be unjustifiably encumbered by special requirements" including "use in a manner detrimental to its capability

to distinguish the goods or services of one undertaking from those of other undertakings." Five countries — the Ukraine, Honduras, Indonesia, Cuba and the Dominican Republic — allege that Australia's law violates this article. No decision will issue until mid-2016.

Trademark owners do not have the luxury of waiting for the WTO decision before addressing the limitations that should be placed on plain packaging requirements. Like many international legal developments, plain packaging laws have become the new flavor of the month.

Ireland, Chile and Indonesia have already established plain packaging laws. Only Ireland's laws are limited to tobacco products. The United Kingdom and France are among the countries currently considering such laws.

The time to set boundaries for these valuable efforts to provide public information about unhealthy consumer choices is now. Fortunately, there are steps trademark owners can take to create such boundaries.

Develop alternatives to plain packaging laws.

The effect of plain packaging laws is broader than tobacco or alcohol products. Mark owners, as a group, should step up organized activities to create acceptable boundaries for all plain packaging laws. By the time the plain packaging trend reaches beyond anti-smoking campaigns, it will be too late to change the standards they have established.

Participate in the WTO proceedings.

Although the United States is only a third-party participant, it can still play an active role. Contact the Office of the U.S. Trade Representative, the agency with the lead on the proceedings, to express your views and provide supporting information to affect the outcome.

Start today

If you wait, the multicolored packaging on store shelves that we love as trademark lawyers will become an artifact.