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WHAT IS THE STANCE ON PLAIN PACKAGING ACROSS ASIA?

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IP practitioners are concerned that the WTO ruling on plain packaging encroaches on IP rights and could spell trouble for other industries

The World Trade Organisation's (WTO) support for Australia's plain packaging legislation is a clear signal for the global implementation of similar legislation, notwithstanding an appeal from Honduras. Although the WTO decision only applies to Australia and does not have bearing on the legality of similar plain packaging legislation in other countries should it be implemented, the decision of the WTO panel may expedite future implementation of such measures. We spoke to practitioners across Asia to see what the existing stance on plain packaging legislation is in different jurisdictions and what the potential impact will be for brand owners in the tobacco industry and beyond.

Yes to plain packaging Australia

In its decision, the WTO placed the Australian government's objective of plain packaging legislation to improve public health by reducing the use of and exposure to tobacco products above the rights of trade mark owners. It found that Australia's legislation did not violate international trade obligations, including the trade mark provisions under TRIPS. Lisa Neilson, associate at FB Rice explains that although the WTO panel considered alternative measures Australia could adopt to achieve its objectives, including increased taxation, anti-smoking social marketing campaigns and pre-vetting of packaging, it determined these would not be as effective as the plain packaging legislation. While recognising that trade marks have substantial economic value and the legislation was far-reaching, the WTO found the legislation complemented Australia's pre-existing measures, which include tobacco advertising and promotional bans, excise taxes and graphic health warnings on packaging.

"Tobacco companies are obviously disappointed with the decision which upholds the legislation imposing substantial limitations on use of their trade marks and prohibiting the use of figurative, logo and colour marks and will be concerned by the potential domino effect," said Neilson. She believes that the decision may also have implications for other industries and there are concerns similar legislation could be extended to alcohol, sugary drinks and junk food in the future.

Singapore

Singapore is considering the introduction of plain packaging. The Ministry of Health (MOH) held a public consultation in February to seek public opinion on its proposal to standardise tobacco packaging.

Specifications of the proposal include identically coloured packaging, the prohibition of branding on packaging with the exception of brand and variant names printed using standardised typefaces, font colours and sizes, as well as an increase in the size of graphic health warnings to cover three-quarters of the pack.

Ren Jun Lim, principal at Baker McKenzie Wong & Leow explains that while it still remains to be seen if Singapore would ultimately adopt the proposal in its current form, Singapore has always been supportive of tobacco control, in part due to its obligations as a party to the WHO's Framework Convention on Tobacco Control (FCTC). In submitting arguments to the WTO panel as a third party, Singapore put forth arguments supporting the notion that plain packaging measures do not contravene the relevant articles of the TRIPS agreement, providing a glimpse of Singapore's support for plain packaging measures.

At present, tobacco products are regulated under the Tobacco (Control of Advertisements and Sale) Act, which sets out packaging requirements for tobacco products. Graphic warnings and information relating to health risks must cover no less than half of the pack, and false or misleading packaging and labelling are prohibited.

"By providing a precedent demonstrating that the WTO does not find such regulations as more trade-restrictive than necessary to fulfil the legitimate objective of protecting public health, it gives a green light to other WTO members looking to implement similar legislation, since it establishes that such regulation would not be contrary to their obligations under the various trade agreements," said Lim.

Lim believes that from an economic standpoint, future implementation of such measures in Singapore potentially leads to downtrading, whereby customers switch from pricier options to cheaper alternatives due to the absence of branding, as well as possible growth in the black market for tobacco products.

"The limitations imposed potentially affect brand recognition and awareness, especially amongst younger consumers who have yet to form brand loyalty," said Lim. "Brand owners, rather than relying on the reputation of their brand, would instead have to compete via price, due to the lowered tendency on the part of consumers to differentiate through branding."

Beyond the tobacco industry, the decision might affect other industries as it potentially opens the door in the long term to the imposition of more stringent marketing and labelling rules for other products that may also be perceived as contrary to public health, such as alcohol or fast food.

Thailand

Article 38 of Thailand's Tobacco Protection Control Act, which became effective on July 2017, would allow the Minister of Public Health, with the advice of the National Tobacco Consumption Control Policy Commission, to require plain packaging of tobacco products through ministerial decree. According to statements made by the Ministry of Public Health on May 25 2016, the Ministry intended to implement plain packaging once the law was in force.

Alan Adcock, partner and deputy director, intellectual property, Tilleke & Gibbins adds that provisions of Section 30 restricting tobacco product advertisements and marketing communications and Section 31 preventing use of a tobacco-related trade marks on non-tobacco goods, otherwise known as brand extension, are troubling.

Adcock believes that the WTO decision will have a negative impact across Asia. "The WTO panel failed to understand and appreciate the nature of the relationship between a consumer and a manufacturer and the international agreements in place which have been established to promote freer, less inhibited trade," said Adcock. He adds that the panel fundamentally misunderstood Article 20 of TRIPS which holds that trade marks are not to be "unjustifiably encumbered" by special requirements, in this case, the plain packaging requirements under Australia's Tobacco Plain Packaging Act 2011. "Instead of focusing on the rights of consumers and intellectual property owners, the panel focused its attention on supporting a health policy goal of Australia which the panel wrongly concluded did not unjustifiably encumber trade marks," said Adcock. "This unfortunate decision will likely further embolden overzealous health regulators here in Asia to further encroach upon the intellectual property rights of manufacturers across several industries."

Plans not definite yet

Vietnam

Linh Mai Nguyen, head of trade marks at Tilleke & Gibbins in Vietnam observes that so far, Vietnam has not yet introduced any plain packaging regulations. Vietnam, however, in 2012, issued a Law on Tobacco Harm Prevention and guiding regulations on tobacco packaging, which require tobacco companies to apply health warning notices which cover at least 50% of each main face, front and back, of tobacco packages.

In addition to the health warnings, the regulations guiding the Law on Tobacco Harm Prevention also prohibit the use of words such as "low tar", "light", "ultra light", "mild", or other words and phrases which may cause consumers to understand that the tobacco product is safer or less harmful than others, unless those words/phrases are a part of a tobacco label which was registered and protected under the IP Law before the effective date of the Law on Tobacco Harm Prevention.

The Law on Tobacco Harm Prevention also stipulates that the government will periodically specify any change in the space devoted to health warnings on tobacco packaging. "In the future, the government may decide to increase the required size of the health warnings," said Nguyen. "As indicated in the implementing decree, this decision will take into account, inter alia, conditions and trends in printing health warnings on tobacco packages of other countries in the region and around the world. As such, the WTO ruling on the Australian law may have a negative impact on tobacco and other industries in Vietnam."

India

In India, the courts have had a busy time examining the issue of tobacco plain packaging. One of the most significant changes to tobacco regulation in India is the Cigarettes and Other Tobacco Products (Packaging and Labelling) Amendment Rules, 2014. The law increased the surface area of the health warning from 40% to 85% of the principal display area of packages, requiring 60% of the space to be devoted towards the pictorial depiction of mouth, throat and lung cancer and 25% to a textual health warning. A series of writ petitions were filed in the public interest before the Indian courts to assail the constitutionality of the amendment rules. The Karnataka High Court ruled that the rules were unconstitutional, pointing out that there is no empirical data to show enlarging the warning size to 85% would serve any meaningful purpose. The matter went up to the Supreme Court which, on January 8 2018, directed a stay of the judgment by the Karnataka High Court.

Additionally, on July 16 2018, the Supreme Court refused to stay the operation of the Tobacco Products (Packaging and Labelling) Second Amendment Rules, 2018, slated to come into effect from September 1 2018. The new rules stipulate two images depicting the manifestation of cancer that shall serve as 'pictorial health warnings' on tobacco products' packaging. By way of 'textual health warnings' for smoking and smokeless forms of tobacco products, these Rules specify the phrases "Tobacco Causes Cancer" and the phrase "Tobacco Causes Painful Death" to be displayed in white font on a red background, and the words "Quit Today Call 1800-11-2356" to be printed in white font on a black background.

Ashwin Julka, managing partner at Remfry & Sagar believes that though the legal provisions currently in place are not plain packaging in its truest sense, they reflect a strong public health narrative vis-à-vis policy on the sale and marketing of tobacco products in India. "However, with nearly 75% of all cigarettes in India sold loose, a change in the packaging may lose some of its desired impact for many buyers would not come into direct contact with the warnings on the packaging most of the time," said Julka. "This aspect has come before the courts and the likelihood is that it will be addressed sooner rather than later. Given that advertising of tobacco products through most forms of mass media is prohibited, given the restrictions on tobacco sponsorships and the publicity of such sponsorships, given the graphic warnings on tobacco packaging, given the imposition of high taxes on cigarettes, one can safely state that the overall thrust is on discouraging the use of tobacco products. So for tobacco brands in the Indian market, days of stringent regulation look here to stay."

Other jurisdictions

In terms of other countries that have been considering plain packaging, INTA is monitoring Hong Kong and Taiwan where there have been legislative proposals and consultations on plain packaging but no relevant laws have been passed. In Malaysia and South Korea, there has also been legislative interest. According to an INTA spokesperson, INTA has maintained that governments must take a well-informed and balanced approach in addressing this issue, and consider in addition to health and safety concerns, a broad range of public policy matters, including the contribution of intellectual property to economic growth.

Plans not in plain sight

China

China is the world's largest producer and consumer of tobacco. More than 300 million people smoke in China and 44% of the world's cigarettes are smoked in China. The tobacco industry also contributes to more than 6% of the country's annual tax revenue. At this point, plain packaging is not on the government's agenda but increased cigarette prices and/or tobacco taxes could be, as they were found to be effective when tobacco taxes were raised in 2016. While there are no graphic health warnings on cigarette packaging, written warnings, in small print, are printed on cigarette packages. According to Dr Gauden Galea, WHO representative, China, the government requires text warnings on 30% of the cigarette pack but given the scale of the tobacco epidemic in China, adopting plain packaging is important in order to help reduce the prevalence of smoking. Xia Zheng, founder at AFD China Intellectual Property Law Office observes that since the implementation of the Rules on Cigarette Package Labelling, warnings on the labelling of cigarette packaging are emphasised and illegal trade of tobacco and cigarettes is being cracked down upon. In addition, in line with the requirements of the Framework Convention on Tobacco Control, the Ministry of Industry and Information Technology, with the support of the State Administration of Industry and Commerce, which is in charge of commercial brands and tobacco advertising, has begun to work on the Healthy China 2030 national strategy, with the goal of reducing the smoking rate from 27.7% in late 2015 to 20% by 2030.

Japan

Over in Japan, the proportion of space that health warnings take up on tobacco packages is at 30%, the minimum set by the WHO Framework Convention on Tobacco Control. Takanori Abe, managing partner at Abe & Partners observes that there are strong voices on both sides of the plain packaging argument but there is no clear stance on the issue from the government.

"Companies such as Japan Tobacco have voiced their concerns on plain packaging saying that with excessive regulation, the brand trade marks and IP rights are infringed upon," said Abe. "There is also concern about an increase of potential unlawful transactions in selling tobacco."

On the other hand, back in 2016, 110 organisations including the Japan Medical Association, submitted a request to the Japanese government, including the prime minister, to lobby for plain packaging and more explicit health warning pictures on tobacco packaging.

Indonesia

As one of the WTO's challengers against plain packaging measures, Indonesia has made its stance on the issue clear. Indonesia has been fighting against the application of disguised discriminative measures that would potentially lead to difficulties in protecting and using trade marks. "While it is essential to recognise the public health interest, this interest must be balanced with the trade mark owner's rights to distinguish their products from others, and with consumers' rights to choose a product based on trade mark recognition," said Somboon Earterasaron, partner at Tilleke & Gibbins. "The WTO panel has overlooked the trade mark owner's rights and, as a result, consumers' abilities to make informed decisions are diminished."

Wongrat Ratanaprayul, director at Tilleke & Gibbins Indonesia added: "Indonesia's brand owners will need to be more vigilant in monitoring potential regulatory encroachments that could lead to other products of public health concern, which may also be subjected to discriminative plain packaging in the future, although no such regulation is currently in the pipeline."

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