

Australia: Tobacco Plain Packaging Act 2011 A Summary of The Provisions

The *Tobacco Plain Packaging Act 2011* (“the Act”) received Royal Assent on 1 December 2011. The provisions of the Act commence at various dates following 1 December 2011 with all of the provisions being in operation by 1 December 2012. The Act is principally directed at regulating the packaging and appearance of tobacco products at the time of retailing to consumers.

Related Legislation

In addition to the Act, Regulations have been implemented entitled the *Tobacco Plain Packaging Regulations 2011*. These Regulations commence 1 October 2012. There has also been an amendment made to the *Trade Marks Act 1995* which is discussed further below. At the time of writing there have not been any changes made to the *Trade Mark Regulations 1995*.

The Reason for the Act

Australia has had increasing levels of restriction on the advertising, display and location of use of tobacco products since 1992. This new Act was brought into being as a further part of Australia’s anti-smoking health initiatives. The Act states that Parliament’s intention in introducing this legislation was to specifically reduce the appeal of tobacco products to consumers, increase the effectiveness of health warnings that are required to be displayed on tobacco packaging and to reduce the ability of the packaging to mislead a consumer about the harmful effect of using the product¹.

The Products Covered by the Act

The Act refers to the *retail packaging of tobacco products* as well as *cigarette packs* and *cigarette cartons*. Section 4 of the Act contains various definitions and provides the following meanings for these terms:

“Retail packaging”

- a) any container for retail sale in which the tobacco product is directly placed;
or
- b) any container for retail sale that contains a smaller container in which the tobacco product is directly placed; or
- c) any plastic or other wrapper that covers any retail packaging of the tobacco product (within the meaning of paragraph (a) or (b) of this definition); or

¹ s3 Tobacco Plain Packaging Act 2011

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- d) any plastic or other wrapper that covers the tobacco product, being a tobacco product that is for retail sale; or
- e) any insert that is placed inside the retail packaging of the tobacco product (within the meaning of any of paragraphs (a) to (d) of this definition); or
- f) any insert that is affixed or otherwise attached to the retail packaging of the tobacco product (within the meaning of any of paragraphs (a) to (d) of this definition).

“Tobacco Product”

processed tobacco, or any product that contains tobacco, that:

- (a) is manufactured to be used for smoking, sucking, chewing or snuffing; and
- (b) is not included in the Australian Register of Therapeutic Goods maintained under the Therapeutic Goods Act 1989

“Cigarette Pack”

means any container for retail sale in which cigarettes are directly placed

“Cigarette Carton”

means any container for retail sale that contains smaller containers in which cigarettes are directly placed

“Container”

includes (without limitation) any pack, carton, box, tin, packet, bag, pouch, tube or other container

THE RESTRICTIONS

Chapter 2 of the Act specifies the various restrictions that are placed on the retail packaging of the tobacco products and the products contained within that packaging. These restrictions are placed upon the physical features of the packaging and any lining and wrapper, the colouring of the packaging, as well as any trade marks on the packaging or the tobacco product itself.

Physical Feature Restrictions

The following restrictions are to be placed upon the physical features of the retail packaging:

- The packaging's inner and outer surfaces must not have any decorative ridges, embossing, bulges or other irregularities of shape or texture, or any other embellishments other than permitted by the Regulations and all glues and adhesives used must be colourless and transparent.²
- Cigarette packs and Cigarette cartons are required to be made of rigid cardboard only, be rectangular when closed and have straight edges. The rounding, bevelling or shaping of edges and addition of any other embellishments is specifically prohibited³. The Cigarette cartons are allowed to have a perforated strip to allow the carton to open and which leaves serrations on the edge of the carton when opened⁴.
- Specifically in respect of Cigarette packs there are packet dimensions prescribed by the Regulations⁵ and the pack must open with a flip top lid which is hinged at the back and top of the packet, once again the rounding, bevelling and embellishing of the edges and the inside lip of the opening is prohibited. Any lining that is inside the pack is only able to be made of foil backed by paper⁶. The Regulations allow the pack lining to be textured via the embossing of small dots or squares but these must all be closely and uniformly spaced and of a uniform size but must not form an image or symbol or constitute tobacco advertising or promotion⁷.

Colouring and Surface Finish Restrictions

The following restrictions are placed upon the outer and inner surfaces of the retail packaging and any cigarette pack lining:

- The surface finish must be a matt finish⁸.
- Apart from the health warning and the text of any brand, company name or variant name of the product the colour of the outer surfaces must be Pantone 448C, the inner surfaces white and the lining silver with a white back⁹.
- Colour calibration marks are permitted to appear on the packaging.

Wrappers that cover retail packaging are also only permitted to be transparent and uncoloured with no texture or embellishment. The tear strip to open the wrapper must be either completely black or clear and transparent in which case a solid black

² s18(1)

³ s18(2)

⁴ Reg 2.1.2

⁵ Reg 2.1.1

⁶ s18(3)

⁷ Reg 2.1.3

⁸ s19(2)(a)

⁹ s19 & Reg 2.2.1

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line may be used to show where it is. The size of the line and the tear strip are also specified¹⁰.

The cigarettes themselves are only permitted to be white or white with an imitation cork tip¹¹. The filter tip of the cigarette is not allowed to be coloured and must be white¹².

Samples	
 <p>Pantone 448C</p>	 <p>Note this sample may not be exactly compliant as it was generated by the ABC network prior to the actual passing of the legislation and regulations</p>

Trade Mark Restrictions

Whilst the above physical restrictions effectively restrict the use of colour, shape and three dimensional trade marks, the Act also places specific restrictions on the use of trade marks and marks. The only trade marks or marks that are permitted to appear on the retail packaging are the brand, business or company name for the tobacco products and any variant name¹³.

A variant name is the name such as “menthol” used to distinguish the tobacco product from other tobacco products that might be sold under the same trade mark.

The trade marks or marks are only allowed to appear on the front, top and bottom surfaces of a cigarette pack or the front or end surfaces of a cigarette carton. There are no trade marks or marks permitted on wrappers that cover the retail packaging¹⁴. The trade mark is only permitted to appear once on each of these surfaces, be in one

¹⁰ s22 & Reg 2.5.2

¹¹ Reg 3.1.1

¹² Reg 3.1.3

¹³ s20

¹⁴ s22 (in respect of wrappers)

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line only and be either horizontally below the health warning on the front of the packet and centred within any space that is available at that location, or on the other surfaces horizontally and centred in the space on that surface. If there is a variant name then this must be immediately below the brand, business or company name¹⁵.

The brand, business, company name or variant name is required to be in the font Lucida Sans and no larger than 14 points or 10 points for the variant. No bolding or weighting of the font is permitted and only the first letter of each word is allowed to be capitalised. The writing is required to be in Pantone Cool Gray 2C¹⁶.

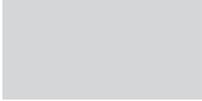
The Act also mentions origin marks which may be used to distinguish the origin of the product. This sort of mark may only be an alphanumeric code or a covert mark which is not visible to the eye. The position and printing of this sort of mark is restricted in a similar manner to the trade mark although the origin mark may only be on the side or bottom of the pack¹⁷.

There are no trade marks or marks permitted to be on the tobacco product itself¹⁸. Although the Regulations do allow an alphanumeric code to be on a cigarette once with font, colour and size restrictions. The alphanumeric code is not permitted to:

- be or allow access to tobacco advertising or promotion eg a web address;
- to relate to the qualities of the cigarette such as its tar yield;
- be misleading about the cigarette's health effects, hazards or emissions; and
- represent or be related in any way to the brand or variant name of the cigarette¹⁹.

Note that the Act does not provide any specific information of what the requirement of an alphanumeric code is, how long it may be and what ratio of numbers and letters must be used, if any.

It is also prohibited that any part of the retail packaging make a noise or produce a scent that could be taken as tobacco advertising or promotion²⁰.

Samples	
 Pantone Cool Gray 2C	Lucida Sans (this is actually Lucida Sans Unicode which is essentially the same)

¹⁵ s21

¹⁶ Reg 2.4.1

¹⁷ Reg 2.3.2

¹⁸ s26

¹⁹ Reg 3.1.2

²⁰ s24

Circumventing Provisions

So that clever marketers are not able to circumvent all of the highly prescriptive provisions about the product appearance by merely offering a separate cover for the purchaser to slip over the product, there are provisions which prevent any inserts to be placed inside the packaging, apart from the lining, or any onserts which are anything affixed or attached to the packaging²¹. The Act mentions that a sound chip embedded in the cardboard of the pack would be considered an onsert.

It is also not permitted to include in the packaging any features that are designed to change after retail sale including the use of heat activated ink, fluorescing ink, scratch or rub panels that reveal images or text, removable tabs, fold out panels, or inks and embellishments that appear gradually over time²².

Penalty Provisions

Chapter 3 of the Act contains the offences that are prescribed by the Act. This part of the Act prescribes various penalties for people who:

- sell, offer for sale or otherwise supply product that has been packaged for retail sale but which does not comply with the various Act requirements²³.
- purchase non-compliant packaged items unless they are for the purchaser's personal use²⁴,
- package a product for retail sale in non-compliant packaging²⁵,
- manufacture any of the parts of the packaging in a non-complaint manner²⁶
- manufacture the tobacco product and contract another person to package it in non-compliant packaging²⁷.
- Sell tobacco products without any retail packaging and do not have a contract with the purchaser which prohibits the purchaser from supplying the product in Australia in packaging which does not comply, although it is permitted that the purchaser supply the product without any packaging²⁸.

Similar provisions are present in respect of non-compliant tobacco products.

The same provisions are then mirrored in Part 3 of the Chapter and are specifically directed at Constitutional Corporations²⁹. These are corporations encompassed by

²¹ s23

²² s25

²³ s31

²⁴ s32

²⁵ s33

²⁶ s34

²⁷ s35

²⁸ s36

²⁹ ss40-48

s51(xx) of the Constitution namely “foreign corporations, and trading or financial corporations formed within the limits of the Commonwealth”.

The offence provisions prescribe various penalties for each offence with most being set at 2,000 penalty units. At present this converts to A\$220,000.

Note that the commencement provisions of this Act state that the provisions which make the selling and purchase of non-compliant product do not commence until 1 December 2012. However the provisions that make the manufacture of non-compliant product/packaging an offence commence on 1 October 2012.

Products for Export

Whilst it is evident that the Australian Government believes that the use of tobacco products is a major health concern and that the manner of packaging of these products has a major influence upon the continuation or cessation of the use of such product, it appears that it does not extend this concern to persons beyond Australian borders. There is an exception in the Act from incurring a penalty if the non-complaint packaged product is to be exported³⁰.

The “Saving the Trade Mark’s Existence” Provisions

Clearly the Act causes all sorts of issues which hinder the ability of a tobacco trade mark owner to legitimately register, maintain and enforce their trade marks in Australia. In anticipation of the well publicised legal challenges that were to be raised by the tobacco companies against the legislation, provisions have been included in the Act and the Trade Marks Act amended to try and circumvent the challenges.

In the Tobacco Plain Packaging Act s28 has been included to try and deal with the trade mark non-use issues that the Act creates. This section deems that an applicant for registration of a trade mark in respect of tobacco products has the required intention to use the mark at the time of filing and/or is taken to have rebutted an allegation of non-use as long as the trade mark owner is able to establish that they would have intended to use the mark or used the mark but for the operation of the Act. The section also specifies that the Act does not have the effect that use of the tobacco trade mark would be contrary to law for the purposes of the opposition ground under s42(b) of the Trade Marks Act. In respect of the Trade Mark Registrar’s power to revoke acceptance of a trade mark or the registration of a trade mark the Act states that the circumstance that a person is prevented by the Act from using a trade mark on tobacco products are not circumstances that are reasonable for the Registrar to not register, revoke acceptance or registration or to impose conditions or limitations on the registration.

The most powerful and concerning amendment was made to the Trade Marks Act to include s231A. This new section in the Trade Marks Act permits the making of

³⁰ s49

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Regulations to essentially fix unanticipated trade mark problems created by the Tobacco Act including the bewildering power for the Trade Mark Regulations to be inconsistent with the Trade Marks Act and to prevail over the Trade Marks Act to the extent of any such inconsistency.

The amendment to the Trade Marks Act reads as follows:

231A Regulations may make provision in relation to the *Tobacco Plain Packaging Act 2011*

(1) The regulations may make provision in relation to the effect of the operation of the *Tobacco Plain Packaging Act 2011* , and any regulations made under that Act, on:

(a) a provision of this Act; or

(b) a regulation made under this Act, including:

(i) a regulation that applies a provision of this Act; or

(ii) a regulation that applies a provision of this Act in modified form.

(2) Without limiting subsection (1), regulations made for the purposes of that subsection may clarify or state the effect of the operation of the *Tobacco Plain Packaging Act 2011* , and any regulations made under that Act, on a provision of this Act or a regulation made under this Act, including by taking or deeming:

(a) something to have (or not to have) happened; or

(b) something to be (or not to be) the case; or

(c) something to have (or not to have) a particular effect.

(3) Regulations made for the purposes of subsection (1):

(a) may be inconsistent with this Act; and

b) prevail over this Act (including any other regulations or other instruments made under this Act), to the extent of any inconsistency.

Note that the amendment of Regulations are not required to be passed by Parliament and are implemented by a more administrative process. Accordingly, this amazingly broad power essentially allows an administrative process to override or amend legislation that has already been passed by Parliament.

The Reasons Provided by Various Parties as to Why the Legislation is Flawed or Unenforceable

Obviously there has been much commentary from various groups including the Tobacco industry regarding the validity of the legislation. Proceedings have also been launched in the High Court by tobacco companies to challenge the legislation.

The tobacco companies claim that via the legislation the Australian Federal Government is attempting to acquire their intellectual property without providing any compensation which is a contravention of the Constitution, they also allege that the legislation contravenes the TRIPS agreement and a Treaty between Australia and Hong Kong. There is also complaint that the legislation will lead to an increase in the counterfeiting of goods. The progress of one challenge may be followed at the government's site <http://www.ag.gov.au/Internationallaw/Pages/Investor-State-Arbitration---Tobacco-Plain-Packaging.aspx>.

There has been focus on the fact that the legislation essentially creates a class of trade mark which may be registered but not used which contravenes a fundamental principal of Trade Mark Law. However the Australian Trade Marks Act already has an unusual class of trade marks permitted which are the Defensive trade marks. These trade marks have special provisions in the Trade Marks Act which allow registration of a trade mark by owners who file with no intention to use and the marks may not be removed on the basis of non-use. The Australian Trade Mark system has tolerated the Defensive mark for many years and no doubt will tolerate tobacco marks also.

There has also been criticism that the fact that a trade mark may not be used means that tobacco trade mark owners will be at a disadvantage to other trade mark owners in their ability to obtain registration of their less distinctive trade marks. Under the provisions of the Trade Marks Act a trade mark applicant that is faced with a distinctiveness issue is provided the opportunity to file evidence of use to show that their trade mark is capable of becoming distinctive or is distinctive in fact. In respect of the s41(5) form of the objection the evidence of use relied upon may occur in countries which have a similar trading market as Australia. Accordingly, no doubt it would be possible to avoid this issue by filing evidence of overseas use and making a declaration that but for the Tobacco legislation the mark would have been used in a similar manner in Australia. However, when the objection is raised under s41(6) the evidence of use relied upon must have occurred only in Australia. It is possible that this may be one of the areas where a specific dispensation would need to be provided for by the Trade Mark Regulations.

Despite all the complaint there has not been much consideration of one positive outcome for the tobacco trade mark owner which is a potential strengthening in brand recognition and retention as a result of the legislation. Once all cigarette packets in a retail outlet look identical the only way that a consumer is going to be able to identify which product they wish to purchase is by identification of the word trade mark.

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Clearly for a consumer of these products this will mean that the level of recognition of the tobacco trade mark owner's principal or core brand will dramatically increase.



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