

Intellectual Property violations resulting from excessive packaging restrictions

Introduction

Certain regulatory proposals affecting packaging clearly infringe upon trademark rights and set worrisome precedents for the business community as a whole. Initiatives prohibiting appropriate packaging terms, banning the use of colors on packaging, restricting products to a single variant per brand or requiring generic packaging of products, to name a few, have the direct effect of illegitimately limiting manufacturers' trademark rights without any evidence-based public health benefit. They amount to an indirect expropriation of intellectual property and constitute a clear breach of international law.

While acknowledging that these regulations affect very diverse industries and taking into account that government's regulatory objectives may vary according to the type of product, any such regulations should respect legally protected IP rights. However, a number of these regulatory proposals prevent trademark owners from using trademarks and trade dress, and therefore conflict with legal obligations arising from international treaties, including the WTO Agreement on Trade Related Aspects of Intellectual Property Rights (TRIPS) and the Paris Convention for the Protection of Industrial Property (Paris Convention).

Interference with trademarks' main functions: Trademarks play a number of roles, including distinguishing one's goods from those of another¹; symbolizing the quality, goodwill and reputation associated with the product and its manufacturer; promoting innovation by facilitating the introduction of new products within brand families; and informing, reassuring and protecting consumers. Proposed regulations that limit or prohibit the use of words, figurative elements, colors or other terms that are intended to differentiate one product from its competitors, obviously preclude the ability of the trademark to fulfill its main functions. Furthermore, they reduce manufacturer's incentives to invest in quality and new products and lead to a price-based competition.

Unjustifiable encumbrance on the use of trademarks: Packaging regulatory proposals of the type described above would severely limit, and in some cases prohibit outright, the use of trademark and trade dresses in which a substantive investment has been made, categorically violating the provisions of TRIPS Article 20². This may constitute a form of indirect expropriation of intellectual property.

¹ Article 15(1) of the TRIPS Agreement reads as follows: "**any sign**, or any combination of signs, **capable of distinguishing** the goods or services of one undertaking from those of other undertakings, shall be capable of constituting a trademark. Such signs, in particular words including personal names, letters, figurative elements and combinations of colors as well as any combination of such signs, shall be eligible for registration as trademarks." [emphasis added]

² Article 20 of the TRIPS Agreement provides that "[t]he use of a trademark in the course of trade shall not be unjustifiably encumbered by special requirements, such as use with another trademark, use in a special form, or use in a manner detrimental to its capability to distinguish the goods or services of one undertaking from those of other undertakings".

Under the TRIPS Agreement, States may restrict the right of trademark owners only in limited circumstances³ and only taking into account the interests of such trademark owners and the public interest. Even if Governments are allowed to take measures necessary to protect key goals such as public health, a measure cannot be deemed “necessary” when there is no evidence that the measure would effectively support those objectives. On the contrary, a number of other measures that do not blatantly violate the rights of trademark owners are often available to governments and should be utilized in pursuing public health goals prior to unproven and speculative initiatives.

Increase risk of illicit trade: Regulations of the type mentioned above would open the door to illicit trade by stimulating both the demand and supply of illicit trade products. When regulatory measures make it more difficult to visually distinguish one brand from another, it also becomes simpler to manufacture and sell counterfeit products. Stripping brands of their trademarks have also been shown to disrupt the market by increasing the demand for products that are illegally imported and sold to consumers. These can be contraband or counterfeit and may imply even a health risk for consumers.

Conclusion

The regulatory initiatives affecting packaging of certain types of products pose serious threats to the business community. If accepted, they would diminish the overall respect accorded to trademark rights and therefore would undermine generally accepted national and international principles of intellectual property law. Not only do they infringe trademark rights and the ability of manufacturers to compete legally and inform consumers, but these regulations also open the door to the illicit trade, which is already a major problem in many industries.

Furthermore, these initiatives, which are not based on any solid scientific evidence that they would contribute to legitimate objectives, such as public health, would effectively constitute an expropriation of some of the world’s most valuable trademarks without the payment of adequate compensation to manufacturers. Given that there are many other means available to Governments to support legitimate public health objectives, the restrictions imposed by these types of regulations constitute a disproportionate limitation to manufacturers’ property rights.

³ Article 17 of the TRIPS Agreement states: “Members may provide limited exceptions to the rights conferred by a trademark, such as fair use of descriptive terms, provided that such exceptions take account of the legitimate interests of the owner of the trademark and of third parties.”