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International Background

Plain packaging (also known as standardised packaging or generic packaging), requires the packaging of all tobacco products to have a standard colour (a dull green/brown), size, shape and texture; and so prevents the use of attractive colours, logos or other promotional features on or inside the packs. The product's brand and variant name is permitted in a standard font size and colour. In addition, large pictorial health warnings remain on the packs as well as tax stamps and covert markings that assist with identifying counterfeit or other illicit products. It is a sensible demand reduction strategy that works effectively as part of a comprehensive tobacco control policy. Branding, logos and other appealing packaging features are a form of advertising and promotion for any product, including tobacco. If general advertising for tobacco is banned (which in most countries it is), it is common sense to prohibit the promotional features on packaging as well.

After Australia implemented plain packaging in December 2012, the next round of countries to take the policy forward have been in Europe. The UK, France, Ireland and Hungary have already adopted plain packaging laws and we have seen plain packs appear in shops in the UK and France already. The Norwegian government has just put forward plain packaging legislation to the parliament which is expected to pass with a comfortable majority. Governments in over 15 other countries are seriously considering the policy or have bills before parliament.

All these governments have carefully considered the legal implications of plain packaging, including their international obligations under the World Trade Organisation agreements, and decided to proceed. All the legal challenges to plain packaging brought by the tobacco industry in national¹, regional² and international³ courts and tribunals have been dismissed. Plain packaging has been found to be a reasonable and proportionate public health measure, based on sound evidence.

Plain packaging is also a measure recommended by the implementation guidelines to Articles 11 *and* 13 of the WHO Framework Convention on Tobacco Control⁴, an international treaty ratified by 180 Parties including Slovenia.

In Australia, smoking rates have fallen significantly since plain packaging was introduced alongside other tobacco control measures. Careful econometric analysis commissioned by the Government demonstrated

¹ Australia's constitutional court ruling in *JT International SA v Commonwealth of Australia* [2012] HCA 43, <http://www.austlii.edu.au/au/cases/cth/HCA/2012/43.html>

UK's High Court ruling On May 19, 2016 and Appeal Court ruling On Nov. 30, 2016, *British American Tobacco & others v Department of Health*, [2016] EWHC 1169 (Admin), <https://www.judiciary.gov.uk/wp-content/uploads/2016/05/bat-v-doh-judgment.pdf>

France's constitutional court ruling: *Constitutional Council [France], Loi de modernisation de notre système de santé [Law to modernize our health system]*, Decision n° 2015-727 DC of 21 January 2016.

² *Philip Morris Brands and Others*, European Court of Justice, May 4, 2016, Case C-547-14. <http://curia.europa.eu/juris/document/document.jsf?jsessionid=9ea7d2dc30d5b4ac128357df4fc8b24389847d7897f5.e34KaxiLc3qMb40Rch0SaxuTa350?text=&docid=177724&pageIndex=0&doclang=en&mode=req&dir=&occ=first&part=1&cid=185180>

³ *Philip Morris Asia Ltd. v. The Commonwealth of Australia*, Permanent Court of Arbitration, PCA Case No. 2012-12, decision Dec. 17, 2015, reasons May 16, 2016. <https://www.pcacases.com/web/sendAttach/1711>

⁴ <http://www.who.int/fctc/en/>

that ¼ of the reduction is attributable to plain packaging⁵. This is the equivalent of 118,000 less people smoking in Australia over 3 years as a result of the policy⁶.

The tobacco industry in Australia claimed that plain packaging would cause an increase in the illicit tobacco trade and that cigarette prices to go down, both leading to an increase in smoking. In fact neither has occurred in Australia. Large national surveys have shown that use of illicit tobacco has remained steady at 3% of total use⁷. In addition, to date, *no counterfeit plain packs* have been identified. The tobacco industry continues to increase prices over and above the tax rate rises in all sectors, the same pricing strategy it used prior to plain packaging⁸. The tobacco industry also claimed that there was no evidence plain packaging would work and that it breaches international obligations on intellectual property. These arguments have been rejected by the courts in Australia and the UK.

Opposition to tobacco plain packaging in Slovenia from Mr Bojan Pretnar

Mr Bojan Pretnar, a prominent intellectual property expert in Slovenia, has appeared in the Slovenian media numerous times, and before the Slovenian National Assembly in February 2013, opposing plain packaging by using the same arguments that the tobacco industry has used in Australia, the UK, Ireland and France. Mr Pretnar has also published a lengthy paper⁹ (which has not undergone a peer review process) to make his case in more detail. These same arguments have been wholly discredited by academics, researchers and court rulings when used by the tobacco industry elsewhere.

The tobacco companies brought a legal challenge to the plain packaging laws in the UK that was dismissed by a High Court judge in May 2016¹⁰; and that ruling has just been upheld by the [Court of Appeal](#)¹¹. The High Court judge was highly critical of the experts used by the tobacco industry, stating that their body of expert evidence did not even accord with basic international standards for evidence. The same judge said that the evidence relied on by the UK government in support of plain packaging was “*cogent, substantial and overwhelmingly one-directional in its conclusion*” that plain packaging would be effective.

The judge in the UK High Court case stated that the body of expert evidence used by the tobacco companies was “*not peer reviewed; ... almost universally prepared without any reference to the internal documentation or data of the tobacco companies themselves; and either ignores or airily dismisses the worldwide research and literature base*”¹².

Unfortunately, the same criticisms can be made about Mr Pretnar’s non-peer reviewed analysis paper. He consistently uses the same evidence and arguments that the tobacco companies use and either ignores or dismisses the mountains of evidence and research that support plain packaging policy.

For instance, when considering the evidence base, Mr Pretnar relies on two old research studies and an old economics study paid for by the tobacco companies¹³ but makes no reference at all to the four more recent

⁵ <http://www.health.gov.au/internet/main/publishing.nsf/content/tobacco-plain-packaging-evaluation>

⁶ <https://www.ft.com/content/6248cfee-11e3-11e6-91da-096d89bd2173>

⁷ http://tobaccocontrol.bmj.com/content/24/Suppl_2/ii76.full

⁸ http://tobaccocontrol.bmj.com/content/24/Suppl_2/ii90.full

⁹ *Australian Plain Packaging: Its Functional and Legal Flaws and an Alternative Without Them*, Bojan Pretnar, August 8, 2016. Available at https://papers.ssrn.com/sol3/papers.cfm?abstract_id=2820017

¹⁰ *R (British American Tobacco & Ors) v Secretary of State for Health* [2016] EWHC 1169 (Admin)

<https://www.judiciary.gov.uk/wp-content/uploads/2016/05/bat-v-doh.judgment.pdf>

¹¹ <http://www.bbc.co.uk/news/health-38156770>

¹² See note 8 at paragraph 23.

¹³ Padilla, Dr. Jorge, and Watson, Dr. Nadine, A critical review of the literature on generic packaging of cigarettes, LECC, January 4, 2010; and Devinney, Timothy M., Analysis of Consumer Research Evidence on the Impact of Plain Packaging for Tobacco Products, November 30, 2010; and London Economics, The role of packaging imagery on consumer preferences for experience goods, London January 2012. See Bojan Pretnar, August 8, 2016 pages 40 – 44.

independent evidence reviews or to the up to date research from Australia. And he pays no attention to recent court judgments that contradict his legal analysis.

Mr Pretnar parrots the flawed arguments of the tobacco industry and the discredited 'experts' that the tobacco industry has used to fight its cause.

Dr Pretnar's lengthy arguments largely rely on four flawed propositions:

1. Plain packaging will increase illicit trade in counterfeit tobacco products.
(In fact branded packs are already easy to counterfeit. Plain packs retain the picture health warnings, tax stamps and covert markings and so are little different from branded packs in being susceptible to counterfeiting. In Australia, illicit tobacco has not increased in the 4 years since plain packs were introduced, and no counterfeit plain packs have been found in that time.)
2. Branding and trademarks on tobacco packets do not have an advertising or promotional function.
(In fact, marketing theory demonstrates how packaging is used for advertising and promotion. Research shows that tobacco packaging has become more attractive and innovative following general advertising bans, and disclosed internal documents from the tobacco industry show how the companies have focused on packaging as a means of promotion.)
3. There is no evidence that plain packaging will be effective in decreasing smoking rates.
(Actually, there is volumes of research and statistical evidence on plain packaging and it all points in one direction – that the policy will work to reduce smoking rates. There is not one single peer reviewed study that indicates the policy will not work. This has been confirmed in tobacco companies' failed legal challenge to plain packaging in the UK.)
4. The owner of a trade mark has a 'right to use' the trade mark, guaranteed under international law.
(In reality, there is no 'right to use' a trade mark, only the right to exclude others from using it. States have a sovereign right to regulate for the protection of its citizens health. This a fundamental tenet of international law and is set out in the WTO agreements. The rights of trade mark owners do not override this sovereign right of states.)

Based on these arguments, Mr Pretnar tries to show that plain packaging of cigarettes will actually *be harmful* to public health and will breach international legal obligations under the WTO Intellectual Property agreement (TRIPS).

While Mr Pretnar uses convoluted and at times self-contradictory language, his position essentially mirrors or mimics that of the tobacco industry. These have been called 'Zombie' arguments because as soon as they are killed in one country they come back to life in a different country. Take away these four assumptions above, and Mr Pretnar's legal arguments fall away.

In his published paper and in media interviews, Mr Pretnar has also consistently used two supposedly real life comparisons to try to show that plain packaging will have a negative impact. But these comparisons have no relevance and do not stand up to any scrutiny. His first comparison is with the market for illegal drugs, where he suggests that plain packaging will lead to a completely uncontrolled 'brandless' market. However, tobacco products have one of the most highly regulated markets in the world, and plain packaging increases the regulatory burden. Illegal drugs are, by their nature, entirely unregulated. And tobacco plain packs are not 'brandless' because the brand name remains on the packs. The second comparison is with the Pakistani Drug (Generic Names) Act 1972 which prohibited the use of brand names for medicines, but did not prohibit branding and attractive packaging resulting in the packaging of imported medicines become more colourful and attractive not less. The Pakistani experiment therefore had the opposite regulatory impact as plain packaging. Again, such a comparison fails.

Mr Pretnar has also sought to scare monger about the risks of legal challenges to plain packaging laws. The risk of challenge under EU law or ECHR law is minimal because those legal issues are addressed in the

tobacco companies' legal challenge made to the UK regulations – challenges which have been dismissed in strong terms by the High Court and Court of Appeal. It should be noted that the EU Tobacco Products Directive specifically permits EU Member States to adopt further measures to standardise the packaging of tobacco products (Article 24.2), and this provision has been upheld by the EU Court of Justice.

There is a WTO dispute brought by 4 countries against Australia's plain packaging laws. The WTO panel's decision is expected in May 2017. In the meantime, no other WTO disputes have arisen against France, the UK, Hungary or Ireland – countries that have also adopted plain packaging laws. Many others, including New Zealand, Norway, Uruguay, Canada, Singapore, Ecuador, South Africa and Sri Lanka are progressing their own laws. All these governments have carefully considered the dispute and their obligations under the WTO agreements and have decided to proceed.

There is of course a risk that the tobacco companies will try to bring legal claims under national constitutional or administrative laws. But claims of that nature have been lost in Australia, France and the UK. Therefore, unless a country's constitution gives substantially greater protections for business profits and substantially less protections for public health measures, then domestic legal challenges are likely to fail as well. The tobacco industry has a very poor track record of winning its legal challenges to tobacco control regulation.

Mr Pretnar states that his study is not funded by the tobacco industry and that his interest is purely for public health¹⁴. Dr Pretnar, however, has previously spoken at events hosted by the American Chamber of Commerce and sponsored by Philip Morris¹⁵. The American Chamber of Commerce is a private organisation that has long promoted tobacco industry interests¹⁶. In this light, Mr Pretnar's objectivity is open to question.

Detailed discussion.

The four flawed arguments used by Mr Pretnar as the basis of his opposition to plain packaging are considered in more detail below along with his two irrelevant comparisons.

The Four Flawed Arguments

1. Plain packaging of tobacco will not increase illicit trade in tobacco products.

The main driver of demand for illicit trade is the price difference between genuine and illicit products; and the way to combat illicit trade is by effective enforcement procedures to reduce supply. Plain packaging does not impact on either of these factors.

Mr Pretnar suggests that trademarks “are *the means* allowing governments to combat illegal trade and criminal practice of *counterfeit* products” and that plain packaging “effectively precludes *any* reasonable governmental control over the tobacco market”¹⁷. These statements indicate a real misunderstanding of how plain packaging will operate and how enforcement against illicit tobacco is conducted.

- **Packaging features used to combat the illicit trade do not change under plain or generic packaging legislation.** Enforcements procedures rely on covert (invisible) codes and tax stamps on genuine

¹⁴ Bojan Pretnar, August 8, 2016. At page 2.

¹⁵ <http://www.amcham.si/sl/dogodki/poslovno-kosilo-12-oktober-2010-gost-prof-dr-bojan-pretnar.html>

¹⁶ A New York Times investigation exposed the international lobbying conducted by the American Chamber of Commerce on behalf of big tobacco. <http://www.nytimes.com/2015/10/10/business/us-chamber-of-commerces-focus-on-advocacy-a-boon-to-tobacco.html? r=0>

¹⁷ Bojan Pretnar, August 8, 2016 at page 20

packs. Neither of these is changed by plain packaging. In addition, the legislation requires colourful picture health warnings so plain packs are not literally 'plain' and are no easier to counterfeit.

- **Having promotional branding and trade marks on packs does not make counterfeiting more difficult.** Counterfeiters are able to easily copy the existing branded packaging. Even Philip Morris has stated that, “[Cigarette packs] are easily counterfeited, despite the inclusion of innovative holograms, special inks and elaborate design details. Evidence shows that counterfeiters can make copies of even the most sophisticated paper stamps in three weeks.”¹⁸, Because plain packs retain the picture health warning, tax stamps and covert markings, they is little difference in how difficult they are to counterfeit
- **Illicit trade has not increased in Australia since implementation of plain packaging in 2012 and no counterfeit ‘plain packs’ have yet been identified.** Extensive national surveys have shown the illicit trade rate remains at around 3%¹⁹. In addition, counterfeiters have not sought to copy the new unbranded packs – so far, no counterfeit plain packs have been found in Australia. The tobacco industry has tried to rely on a report by KPMG that the companies say indicates illicit trade has increased. However, KPMG has written to governments to say that the report has been “misrepresented by others, without our consent, to suggest it supports the contention that plain paper packaging could lead of itself to an increase in tobacco smuggling and duty avoidance”²⁰.
- **Plain packaging of legitimate products makes illicit tobacco easier to identify.** There are 3 forms of illicit tobacco. 1. Genuine products smuggled with no duty paid 2. Illicit whites, brands made solely for the purpose of smuggling and 3. Counterfeit branded cigarettes. In most markets, counterfeit cigarettes are the smallest of the 3 segments of the illicit trade. All of these forms of illicit products have branding therefore in countries that have plain packaging of legitimate tobacco products, spotting illicit tobacco becomes easier because virtually all illicit tobacco has attractive branding and logos.
- **In the UK High Court Case the tobacco companies submitted no expert evidence, data or analysis.** Despite trying to argue that plain packaging would increase the illicit trade the tobacco companies merely asserted this claim but provided no evidence at all to support that contention²¹.
- **A study by the UK Customs and Revenue stated** there was “no evidence to suggest the introduction of standardised packaging will have a significant impact on the overall size of the illicit market”²².

2. Tobacco branding and trade marks on packaging do have an advertising and promotional function.

It is well established that the tobacco companies use the packaging of tobacco products to advertise and promote them.

Dr Pretnar suggests that because advertising of tobacco is prohibited in most other areas (such as on TV or on billboards), the use of trademarks and branding on the tobacco packets themselves have no advertising function or effect. He claims that, in markets where there is a general advertising ban, the only functions of the trademarks and logos on tobacco packets are to show the origin of the product and guarantee the quality²³. He argues that without external advertising, the use of branding and trademarks on the packs is

¹⁸ Philip Morris International, Codentify, Brochure, 2012.

http://www.pmi.com/eng/documents/Codentify_E_Brochure_English.pdf

¹⁹ Scolo et al; Tob Control 2015;24:ii76-ii81 doi:10.1136 http://tobaccocontrol.bmj.com/content/24/Suppl_2/ii76.full

²⁰ <https://www.theguardian.com/society/2016/may/22/big-tobacco-final-fight-cigarette-branding-uk>

²¹ R (British American Tobacco & Ors) v Secretary of State for Health [2016] EWHC 1169 (Admin). Paras 669 and 996

²² https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/403495/HMRC_impact_report.pdf

²³ Bojan Pretnar, August 8, 2016 at pages 6 and 23 - 27

just to allow consumers to distinguish between products. This is exactly what the tobacco companies have tried to argue unsuccessfully before the courts.

This position is, frankly, absurd and goes against basic marketing theory, academic research studies and even the internal position of the tobacco industry.

- **Marketing theory:**

Kotler and Kelly state that the packaging is the buyer's first encounter with the product and that good packaging draws the consumer in and encourages product choice. In effect, packaging can act as "five second commercials" and is used to "*convey persuasive information*". They state that packaging updates and redesigns can have an immediate impact on sales.²⁴

Palmer says that packaging '*act(s) as a promotional tool in its own right*'.²⁵

Underwood and Ozanne say that the '*product package is the communication life-blood of the firm*' or the '*silent salesman that reaches out to customers*'.²⁶

- **Industry statements**

In the legal challenge to Australia's plain packaging laws²⁷ Japan Tobacco International (JTI) and Imperial Tobacco compare the cigarette packet to advertising billboards by saying that Australia "*is acquiring our billboard, your Honour*"; and "*I own this packet and I will determine what message goes on it*" ... it is our "*bonsai billboard*".

*"JTI invests and innovates in its packaging design and quality in order to compete with other products"*²⁸

A BAT internal review of trends in cigarette packaging in the 1990's predicted that: "*Advertising and promotion bans and restrictions will rapidly increase. The pack will increasingly become the main communicator.*"²⁹

Philip Morris has stated "*The following key elements are of prime importance in the enhancement of the smoker's self-perceptions: the package, including brand name, logo, colour, design, crest, box, soft pack, etc.... As media restrictions continue to increase in many major world markets, our packaging becomes increasingly important.*"³⁰

- **Academic research**

Tobacco packaging is defined as a "badge" product in tobacco industry marketing documents because they are "*constantly being taken out and opened, as well as being left on public display during use [and] in this way cigarette packaging can act as an advertisement*".³¹

Professor Hammond has stated that "*...the pack provides a direct link between consumers and manufacturers, and is particularly important for consumer products such as cigarettes, which have a high degree of social visibility.*"

²⁴ Kotler and Keller, Marketing Management (14th edition), 2012, p.346-8.

²⁵ Palmer, A. (2000). 'The product' in Palmer A (ed.) *Principles of Marketing*. Oxford University Press, London.

²⁶ Underwood, R. and Ozanne, J. (1998). 'Is your package an effective communicator? A normative framework for increasing the communicative competence of packaging' in *Journal of Marketing Communication*. 4(4), pp.207-220. Online at: <http://www.ingentaconnect.com/content/routledg/rjmc/1998/00000004/00000004/art00002?token=0042161894d0d27e41225f406a5e2c6b465d487667627b49576b64276a79595d88>

²⁷ <http://archive.tobacco.org/news/338721.html>

²⁸ JTI response to the 2012 Consultation on Standardised Packaging of Tobacco in the UK

²⁹ British American Tobacco. Trends in packaging of cigarettes over the period 1970-1990. Page 2. Bates: 400700998-400701019.

Available: <http://legacy.library.ucsf.edu/tid/nuu04a99>

³⁰ Philip Morris. ISAR new product testing. Dec 1987. Bates: 20494334662/4694. Available:

<http://legacy.library.ucsf.edu/tid/yyq26e00>

³¹ Wakefield et al (2002) The cigarette pack as image: new evidence from tobacco industry documents, Tobacco Control.

11(suppl.1):i73-i80 http://tobaccocontrol.bmj.com/content/11/suppl_1/i73.full

The Chantler Review³² of the research evidence related to plain packaging concluded that *“the balance of evidence suggests that the appeal of branded packaging acts as one of the factors encouraging children and young adults to experiment with tobacco and to establish and continue a habit of smoking ... This is supported by numerous internal tobacco industry documents. [The tobacco industry] have not been able to explain why, given that advertising and promotion are proven to increase tobacco consumption, the related marketing tool of branded packaging should so differ in its effect.”*

The Framework Convention Paragraphs 15-17 of the Guidelines on article 13 of the FCTC lead to a recommendation that “Parties should consider adopting plain packaging requirements to eliminate the effects of advertising or promotion on packaging. Packaging, individual cigarettes or other tobacco products should carry no advertising or promotion, including design features that make products attractive”

Mr Pretnar surprisingly makes almost no reference to the guidelines to Article 13 in his detailed paper or anywhere else. He airily dismissed this recommendation under an international treaty on the basis that “the provisions of Article 13 have been already met by [an] advertising ban”.

Anyone looking for simple evidence that tobacco packaging is attractive and acts as advertising should consider this video of children looking at branded cigarette packs https://www.youtube.com/watch?v=c_z-4S8iicc produced by Cancer UK.

3. The evidence shows that Plain packaging will be effective at reducing smoking rates

All the research evidence demonstrates that plain packaging will be effective at meeting its objectives and will work, as part of a comprehensive tobacco control strategy, to reduce smoking rates. The emerging statistical evidence from Australia also goes towards demonstrating that the policy is working. There is *no* evidence that demonstrates it will not work. The tobacco industry tries to criticise individual studies, but there is no published and peer reviewed study that suggests plain packaging will not be an effective public health policy.

There have been 4 comprehensive international evidence reviews that have considered all the available published research evidence related to the impacts of plain packaging of tobacco:

- i. Cancer Council Victoria (Australia 2011)³³
- ii. The Stirling Review (United Kingdom 2012 and updated 2013)³⁴
- iii. The Chanter Review (United Kingdom 2014)³⁵
- iv. The Hammond Review (Ireland 2014)³⁶

All these reviews reach the same conclusion: that there is strong and highly consistent evidence to support that plain packaging would contribute to its objectives.

The Chantler Review notably concluded that *“[all the evidence] points in a single direction, and I am not aware of any convincing evidence pointing the other way.”*³⁷

In addition, there has been a significant amount of research conducted in Australia following implementation of plain packaging in 2012³⁸. All this research has shown that the policy is achieving its objectives of reducing

³² *Standardised packaging of tobacco: Report of the independent review undertaken by Sir Cyril Chantler*. Available at: <http://www.kcl.ac.uk/health/packaging-review.aspx>

³³ <http://www.cancervic.org.au/plainfacts/plainfacts-evidence>

³⁴ Original - http://phrc.lshtm.ac.uk/project_2011-2016_006.html and the update -

http://www.stir.ac.uk/media/schools/management/documents/Plain_Packaging_Studies_Update.pdf

³⁵ <http://www.kcl.ac.uk/health/10035-TSO-2901853-Chantler-Review-ACCESSIBLE.PDF>

³⁶ <http://health.gov.ie/blog/publications/standardised-packaging-d-hammond/>

³⁷ Chantler review paragraph 6.2

³⁸ http://tobaccocontrol.bmj.com/content/24/Suppl_2

the appeal of tobacco packaging, increasing the effectiveness and noticeability of health warnings, and reducing the ability of packaging to mislead consumers about the harmful effects of smoking.

The Australian government has published a Post Implementation Review of the policy³⁹. This includes an econometric regression analysis which demonstrates that plain packaging has reduced smoking rates by 0.55 percentage points over 34 months. This may not sound like much, but 0.55% of the Australian population is 118,000 people. That is a huge public health gain for a policy that is intended to have an impact over the long term.

However, Mr Pretnar makes *no reference to any* of these evidence reviews or the post implementation data in his published paper – thus completely ignoring the most up to date and peer reviewed analysis of the evidence. Instead he relies on two old analyses papers from 2010 and 2012 that were commissioned and paid for by Philip Morris⁴⁰, and another from 2010 commissioned by Japan Tobacco International⁴¹. None of these papers are peer reviewed and all have been the subject of significant criticism from academics. One in particular, the Devinney report, was highlighted for criticism by the judge in the UK High Court case. Yet Mr Pretnar uses these industry funded papers to come to his conclusion that the evidence shows plain packaging will not be effective at reducing smoking rates.

4. There is no ‘right to use’ a trade mark in international law

Mr Pretnar’s starting point is flawed. He tries to argue that the Article 11.1 of the WHO FCTC is the sole legal foundation for implementing plain packaging laws. He then seeks to undermine that legal basis by saying that Article 11.1 in fact does not mandate plain packaging. Next Mr Pretnar seeks to argue that plain packaging breaches various articles of the WTO TRIPS agreement on the basis that although there is no explicit positive right to use a trade mark guaranteed under TRIPS, somehow there is an *implied* positive right to use. Mr Pretnar argues that plain packaging is *unjustifiable* under Article 20 of TRIPS. He also claims that the policy amounts to an expropriation or taking of the tobacco companies’ trademarks.

Again, all his legal arguments essentially mirror those used by the tobacco companies in their legal challenges against plain packaging – all of which have been lost.

The simplest way to point out the flaws in Mr Pretnar’s arguments is by relying on legal rulings, in particular, the international arbitration tribunal decision in *Philip Morris v Uruguay*⁴² and the rulings of the High Court and the Court of Appeal that dismissed the claims of the tobacco industry to the UK plain packaging regulations⁴³.

The first point to make is that plain packaging is recommended by the implementing guidelines to both Article 11 *and* Article 13 of the FCTC. A point that Mr Pretnar seems to largely ignore. In any event, under international law, the WHO FCTC provides only one element of the legal foundation for implementing the policy. More importantly, states have a sovereign power to regulate for public health. This is a basic tenet of

³⁹ <http://www.health.gov.au/internet/main/publishing.nsf/content/tobacco-plain-packaging-evaluation>

⁴⁰ Padilla, Dr. Jorge, and Watson, Dr. Nadine, A critical review of the literature on generic packaging of cigarettes, LECG, January 4, 2010; and, London Economics, The role of packaging imagery on consumer preferences for experience goods, London January 2012. See page 40 of Mr Pretnar’s paper.

⁴¹ Devinney, Timothy M., Analysis of Consumer Research Evidence on the Impact of Plain Packaging for Tobacco Products, November 30, 2010. See Page 42 or Mr Pretnar’s Paper. <http://www.jti.com/files/5514/2470/0831/Devinney.pdf>

⁴² Philip Morris Brand Sàrl (Switzerland), Philip Morris Products S.A. (Switzerland) and Abal Hermanos S.A. (Uruguay) v. Oriental Republic of Uruguay (ICSID Case No. ARB/10/7). The request for arbitration, an expert opinion, the ruling on jurisdiction and procedural orders can be found here: <http://www.italaw.com/cases/460>

⁴³ R (British American Tobacco & Ors) v Secretary of State for Health [2016] EWHC 1169 (Admin) <https://www.judiciary.gov.uk/wp-content/uploads/2016/05/bat-v-doh-judgment.pdf>

customary international law which has recently been confirmed in strong terms by the international arbitration tribunal in *Philip Morris v Uruguay* which stated “Protecting public health has long since been recognized as an essential manifestation of the State’s police powers” [Para 291]. This right is reflected throughout the WTO agreements and is stated explicitly in Article 8 of TRIPS.

The *Philip Morris v Uruguay* case provides extremely useful context for the allegations made by Mr Pretnar in relation to plain packaging under international law. The two tobacco control measures challenged in that case were 80% pictorial health warnings and the Single Presentation Requirement that meant each brand could only be sold in a single variety (preventing health reassurance brand varieties such as Marlboro Gold or Marlboro Blue). Philip Morris claimed that the policies were unjustified, were in breach of TRIPS, were not mandated by the FCTC, and amounted to an expropriation of its trademarks (very similar to what Mr Pretnar argues about plain packaging). The international tribunal disagreed on all counts. The tribunal set out the legal position in the decision published in July 2016. Mr Pretnar chooses to ignore it. The tribunal stated:

“no where does the TRIPS Agreement, assuming its applicability, provide for a right to use” for trade marks[¶262]

“Ownership of a trademark does, in certain circumstances, grant ... a right of use that exists vis-à-vis other persons, an exclusive right, but a relative one. It is not an absolute right to use that can be asserted against the State...Nothing in any of the legal sources cited by the Claimants supports the conclusion that a trademark amounts to an absolute, inalienable right to use that is somehow protected or guaranteed against any regulation that might limit or restrict its use. Moreover, as the Respondent has pointed out, this is not the first time that the tobacco industry has been regulated in such a way as to impinge on the use of trademarks”[¶267-268]

In respect of the FCTC, the tribunal held that *“It should be stressed that the [Challenged Measures] have been adopted in fulfilment of Uruguay’s national and international legal obligations for the protection of public health”*. It is important to note that the FCTC does not specifically recommend 80% health warnings or SPR. However, the tribunal held that both these policies were in furtherance of Uruguay’s general obligations under the treaty. Plain packaging is specifically recommended in the implementing guidelines to the FCTC.

The UK High Court ruling stated that the implementing guidelines to the FCTC whilst being non-binding, were *“capable of exerting ‘decisive influence’”* and *“are important and relevant as guides to interpretation of the EU Tobacco Products Directive (TPD) and as to the powers and rights of the Member States to adopt tobacco control measures, including but not limited to [plain] packaging measures.”* [Para 260].

The judge also stated that, *“The Claimants submit that TRIPS takes precedence over the FCTC. In my view they must be read consistently one with the other and this is done by rejecting the Claimants’ construction which otherwise effectively emasculates the FCTC.”* *“TRIPS and the FCTC can be read together without any risk of them colliding or being mutually inconsistent”* [Para 189]

The judge also stated that *“the TRIPS Agreement does not and should not”* prevent Contracting States from taking measures to protect public health and that the tobacco companies’ arguments are clearly inconsistent with the DOHA declaration principles.

This was confirmed in the Court of Appeal Ruling. Paragraph 146 of that ruling deals in detail with the same arguments made by Mr Pretnar. The court confirmed that plain packaging was compatible with all articles of the TRIPS agreement stating that: *“Underlying much of BAT’s argument on this point was the proposition that the TRIPs Agreement recognizes a right to use a trade mark. We have already rejected this argument, not least because article 16 of the TRIPs Agreement itself defines the rights in a negative way; and because the WTO Disputes Panel so ruled.”*

The Court pointed to existing WTO dispute decisions that say essentially the same thing. In a previous WTO Dispute Settlement Panel⁴⁴ (that did not concern tobacco) the Panel said at [7.246]:

“These principles reflect the fact that the [TRIPs Agreement] does not generally provide for the grant of positive rights to exploit or use certain subject matter, but rather provides for the grant of negative rights to prevent certain acts. This fundamental feature of intellectual property protection inherently grants Members freedom to pursue public policy objectives...”

The Two Irrelevant Comparisons Used by Mr Pretnar.

In his published paper and in media interviews, Mr Pretnar has consistently sought to use two real life comparisons to try to show that plain packaging will have a negative impact. In these comparisons, Mr Pretnar compares plain packaging of tobacco to the market for illegal drugs and to Pakistan’s prohibition on the use of *brand names* for medicines via the Pakistani Drug (Generic Names) Act 1972. These comparisons, however, are entirely irrelevant.

A. The “brandless” market for illegal drugs.

Mr Pretnar suggests that plain packaging will lead to a ‘brandless tobacco market’ that will be uncontrolled and therefore similar to the market in illegal drugs. But if you compare the two markets they could not be more different.

- a. Tobacco products are legal and are manufactured and sold by regulated corporations and retailers. Recreational drugs are unlawful and are manufactured and sold by criminals.
- b. With plain packaging, tobacco products retain their brand and variant names, and the registration of the trade marks for the brand and variant names is maintained. Plain packaging laws do not restrict or control word trademarks for tobacco products. There are no brands names or registered trademarks with illegal drugs.
- c. Tobacco products can be tracked via covert markings used on the packs. Illegal drugs are untraceable.
- d. Tobacco products contain tax stamps on their packaging. No tax is paid on illegal drugs.
- e. Tobacco products must have picture health warnings on all tobacco packs. There are no health warning or other packaging regulations for illegal drugs.
- f. The EU will introduce a comprehensive track and trace system for all tobacco in 2019 under the Tobacco Products Directive, to help combat the illicit trade. No such system is envisioned for illegal drugs.

There is simply no rational basis for a comparison between the legal tobacco market and the illegal drugs market. Removing the promotional branding from tobacco packaging does not make the markets similar in any way. Mr Pretnar even goes so far as to suggest that the total absence of trade marks is *the* reason why the market for illegal drugs has become uncontrollable⁴⁵. This is quite an extraordinary claim unsupported by logic, evidence or experience.

B. The Pakistani Drugs (Generic Names) Act 1972

Mr Pretnar suggests that there has already been an unsuccessful attempt at a plain packaging policy in Pakistan under the Drugs (Generic Names) Act 1972. But Mr Pretnar misunderstands or misrepresents the intention and effects of the Pakistani Act. That Act was not similar to the plain packaging of tobacco legislation, in fact it had the opposite purpose and intention. At that time in Pakistan, expensive foreign

⁴⁴ (WT/DS290/R 15 March 2005)

⁴⁵ Bojan Pretnar, August 8, 2016 at page 32.

brand named medicines had a larger market share than cheaper domestically made generic medicines. To try to change this, The Drugs (Generic Names) Act 1972 prevented the use of proprietary brand names which meant only the generic name for a medicine could be used. The intention was that cheaper domestically made medicines could then sell more. However, the effect was that the foreign producers started to use exaggerated colours and pictorial representations so that the packaging was more attractive which boosted the sales of the multinationals⁴⁶. Domestic generic medicines did not increase their market share, and the price of the imported products did not decrease. The Act accordingly was revoked in 1976. The plan in Pakistan was to reduce the market share of imported branded medicines. The objectives of plain packaging is to reduce overall demand for tobacco.

Plain packaging of tobacco products will have the opposite effect of the Pakistan Drugs (Generic Names) Act 1972. Instead of removing the brand names and allowing the attractive packaging, plain packaging of tobacco will allow the brand names, so that brands can be distinguished from each other, but will restrict the use of attractive logos, colours or other promotional elements on the packaging.

⁴⁶ *The New Political Economy of Pharmaceuticals: Production, Innovation and TRIPS in the Global South* Hans Lofgren et al 2013. Page 174.