

Philip Morris fights Australian packaging rules

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This artist's impression provided by the the Minister from the Department of Health and Ageing shows a proposed cigarette packaging stripped of all logos and replaced with graphic images that tobacco companies in Australia will be forced to use. Tobacco giant Philip Morris launched legal action Monday, June 27, 2011, against the Australian government over the country's plans to strip all logos from cigarette packages. (AP Photo/Minister for Health and Ageing, File)
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(AP) -- Tobacco giant Philip Morris launched legal action on Monday against the Australian government over the country's plans to strip company logos from cigarette packages and replace them with grisly

images of cancerous mouths, sickly children and bulging, blinded eyes.

The government believes the new rules will make the packages less attractive to smokers and turn Australia into the world's toughest country on tobacco advertising. Several outraged cigarette makers have threatened lawsuits, arguing the move illegally diminishes the value of their trademarks. Philip Morris is the first of those companies to file a claim for compensation.

"We would anticipate that the compensation would amount to billions," Philip Morris spokeswoman Anne Edwards told The Associated Press.

The legislation, which will be introduced to Parliament in July, would ban cigarette makers from printing their logos, promotional text or colorful images on cigarette packs. Brand names will instead be printed in a small, uniform font and feature large health warnings and gruesome, full-color images of the consequences of smoking. The law would be phased in over six months, starting in January 2012.

Hong Kong-based Philip Morris Asia Limited, which owns the Australian affiliate Philip Morris Limited, filed a notice of claim on Monday arguing the legislation violates a bilateral investment treaty between Australia and Hong Kong.

The tobacco company says the treaty protects companies' property, including intellectual property such as trademarks. The plain packaging proposal severely diminishes the value of the company's trademark, Edwards said.

"Our brands are really one of the absolute key valuable assets that we have as a company - it's what helps us compete, it's what enables us to distinguish our products," Edwards said. "This move ... would essentially amount to confiscation of our brand in Australia."

The government denied the plan breaks any laws and said it would not back down.

"Our government is determined to take every step we can to reduce the harm by tobacco," Health Minister Nicola Roxon said. "We won't be deterred by tobacco companies making threats or taking legal action."

Prime Minister Julia Gillard also brushed off Philip Morris' threats. "We're not going to be intimidated by big tobacco's tactics," she told Australian Broadcasting Corp.

The legal notice filed Monday opens up a three-month period of negotiation between the two sides. Philip Morris said if a "satisfactory outcome" isn't achieved by the end of the three months, it will seek arbitration.

Similar steps are being taken in the U.S., where cigarette packs will soon feature new warning labels with graphic images of the negative health effects of smoking, including diseased lungs and the sewn-up corpse of a smoker.

The labels also feature phrases like "Smoking can kill you" and "Cigarettes cause cancer." They will take up the top half - both front and back - of a pack of cigarettes and be featured in advertisements.

The labels are a part of a campaign by the U.S. Food and Drug Administration that aims to convey the dangers of tobacco, which is responsible for about 443,000 deaths in the U.S. a year. The warnings must appear on cigarette packs by the fall of 2012.

The U.S and Australia are following the lead of other countries.

Uruguay's government requires that 80 percent of the front and back of

all cigarettes packages be devoted to warnings. In Brazil, labels feature graphic images of dead fetuses, hemorrhaging brains and gangrened feet.

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