



December 16, 2010

Ms. Testori Coggi
Director General DG SANCO
European Commission
Rue de la Loi/Wetstraat 200
1049 Brussels
Belgium

Re: Public consultation on the possible revision of the Tobacco Products Directive

Dear Ms. Testori Coggi,

The International Trademark Association (INTA) would like to offer the following comments to the Commission in relation to its public consultation on the possible revision of the Tobacco Product Directive 2001/37/EEC ("TPD"). These comments are limited to the issues of plain packaging ("the proposal") and enlarged health warnings on the packaging cited in the consultation document, to the extent that either would represent a measure likely to encroach on legitimate intellectual property rights (IPR).

These remarks follow INTA's comments in regards to the Council of the European Union's Recommendation on Smoke-Free Environments, sent to the Commission on 2 October 2009.

INTA would like to preface our remarks by assuring the Commission that we understand the importance of improving public health and appreciate the European Union's role and responsibility in furthering this vital objective. Our comments are limited to the potential implications for trademarks resulting from the Proposal and not the public health-related issues.

INTA makes this submission on behalf of all members of its organization and speaks as the representative of a broad spectrum of brand owners spanning all fields of commerce and industry.

Intellectual property rights are a vital aspect of the global economy and trademarks play a significant role in free trade and competition. Requiring plain packaging could have a major impact on the economic benefits derived from trademarks. Used in virtually every type of product and service, trademarks facilitate trade, promote efficiency in commerce and play an important role in job creation both directly and indirectly.

In our view, regulating a particular product by placing limits on the form or style in which its trademark(s) may be used sets an unsound legislative precedent. INTA is particularly concerned that plain packaging provisions for tobacco products could trigger additional regulations restricting the use of trademarks on other products.

The Effect of Plain Packaging on Trademark Rights

From an IPR perspective, plain packaging requirements would:

- target tobacco products specifically and affect trademarks related to these products;
- be equivalent to an invalidation of trademarks;
- lead to an almost complete loss of distinctiveness (i.e. prevent the use of the trademarks with the exception of the trade name only in a mandated font and size); and
- substantially affect trademark values to the detriment of IP owners.

Trademarks are not only words, names and logos, but can also be colors or the very shape or design of the package itself (trade dress or “get-up”). Any graphical component that adds to the distinctiveness of a product can be registered as a trademark, illustrating the role that different types of trademarks play in the consumer experience. According to Article 4 of the Community Trade Mark Regulation (Council Regulation (EC) No 207/2009 of 26 February 2009 on the Community Trade Mark)¹:

“A Community trade mark may consist of any signs capable of being represented graphically, particularly words, including personal names, designs, letters, numerals, the shape of goods or of their packaging, provided that such signs are capable of distinguishing the goods or services of one undertaking from those of other undertakings.”

Trademarks and trade dress play an integral role in facilitating consumer choice by distinguishing products from an enterprise which consumers know and trust from those of another entity. Plain packaging would make it extremely difficult to distinguish one brand from another, thereby seriously limiting consumers’ ability to buy the product of their choice.

Furthermore, trademarks indicate the source of goods and/or services and assure consumers of the consistency of a product’s quality and proper accountability. This fundamental function could not be effectively fulfilled if registered trademarks were banned from packaging, or if such trademarks were only permitted in a prescribed, standardized form that does not correspond to the intended registered graphic representation of the trademarks.

¹ <http://eurlex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2009:078:0001:0042:EN:PDF>

While plain packaging legislation would arguably still allow the use of word marks on packages, it would nevertheless prevent right holders from using any of their many other registered trademarks as well as other design elements, thus leading to consumer confusion.

The EU has consistently sought to protect IPR

Plain packaging contradicts the EU's emphasis on the importance of IPR to the functioning of the internal market and the broader EU competitiveness agenda, as indicated in the following statements:

- *“IPR are vital business assets, encouraging innovation and creativity by ensuring a fair return on investment. IPR play an increasingly important role, fostering economic growth by protecting and enabling inventors, designers and artists to benefit from the commercial value of their creations. This results in an essential cycle of business development, knowledge and further innovation. Moreover, trade marks in particular can have a beneficial effect on consumers, in many cases signifying quality and a reassurance that the products and services they buy are legitimate, safe and reliable.”*²
- *“Intellectual property rights are a cornerstone of a creative, competitive, wealth-generating, knowledge-based society”.*³
- *“The importance of protecting intellectual property rights, which are fundamental to promoting culture and diversity, and for drawing full benefit from the research, innovation and creative activity of European undertakings, especially small and medium sized enterprises, in order to support growth and jobs in the European Union and make Europe more competitive in the world.”*⁴

No country to date has implemented plain packaging, despite being a public debate for many years. For instance, the UK's Department of Health concluded after its 2008 consultation on the Future of Tobacco Control that *“the evidence base needs to be developed”*.⁵ Likewise, despite a mandate by the Australian Health authorities to implement plain packing by mid-2011, no proposal has yet been put forward (as mentioned specifically by Commissioner Dalli's address in the European Parliament on

² Communication from the Commission to the Council, the European Parliament and the European Economic and Social Committee – Enhancing the enforcement of intellectual property rights in the internal market, Brussels, 11.9.2009, COM(2009) 467 Final: <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=COM:2009:0467:FIN:EN:PDF>.

³ Intellectual Property Rights: Commission comes forward with practical, non-legislative measures to combat counterfeiting and piracy, 09/1313, Brussels, 14 September 2009: <http://europa.eu/rapid/pressReleasesAction.do?reference=IP/09/1313&>.

⁴ Council Resolution of 1 March 2010 on the enforcement of intellectual property rights in the internal market (OJ 2010/C 56/01).

⁵ The UK consultation paper described the research evidence on plain packaging as “speculative” (see http://www.dh.gov.uk/en/Publicationsandstatistics/Publications/PublicationsPolicyAndGuidance/DH_085114).

27 May 2010)⁶. The views of the Australian trademark office⁷, IP Australia, are worth noting:

“IP Australia considers that plain packaging may not be consistent with Australia’s intellectual property treaty obligations. Whether or not a requirement for plain packaging would actually constitute an acquisition is debatable. However that may not prevent tobacco manufacturers from seeking compensation. Requiring plain packaging would make it easier for counterfeit products to be produced and would make it difficult to readily identify these counterfeits goods.”

Violations of Treaty Obligations and of EU Fundamental Treaty Principles

Plain packaging would effectively require tobacco manufacturers to cease using many of their trademarks that are registered in the European Union. This proposal would therefore contravene the World Trade Organization’s Agreement on Trade-related Aspects of Intellectual Property Rights (TRIPS) and the World Intellectual Property Organization’s Paris Convention for the Protection of Industrial Property, to which the EU and its Member States are signatories and consequently, adherents to the corresponding legal obligations. (The relevant articles from TRIPS and the Paris Convention are set out in the attached appendix.)

Plain packaging is inconsistent with the Paris Convention and TRIPS in five specific ways and is incompatible with EU Treaty principles:

1. Obstacle to registration – Article 7 of the Paris Convention and Article 15(4) TRIPS.
2. Unjustifiable encumbrance – Articles 8.1 and 20 of TRIPS.
3. Failure to provide effective protection – Article 6^{quinquies}, Article 10^{bis} of the Paris Convention and Article 2 of TRIPS.
4. Not justified by Article 17 TRIPS on limited exception taking into account the legitimate interests of the owner.
5. Breach of EU law and fundamental Treaty principles.

1. Obstacles to Registration

Article 7 of the Paris Convention (and its equivalent, Article 15(4) of TRIPS) provides that the nature of the goods “*shall in no case form an obstacle to the registration of the mark.*” It is important to note that this requirement under Article 15(4) of TRIPS is absolute and is not, for example, subject to Article 8.1 (see below). However, under plain packaging legislation, tobacco manufacturers would not be able to register and

⁶ http://ec.europa.eu/commission_2010-2014/dalli/docs/s10_tobacco_en.pdf

⁷ FOI 138 of 1660; Briefing by IP Australia to Parliamentary Secretary ref B09/4084

use non-word trademarks, such as trade dress or get-up. The direct effect, therefore, is to restrict registration due solely to “the nature of the goods,” i.e. tobacco products.

Additionally, use requirements would effectively mean that non-word trademarks already registered for tobacco products might not be able to be renewed as they could no longer be used. Another possible scenario is that such trademarks could become vulnerable to cancellation for non-use. For example, Article 15 of the Community Trade Mark Regulation explains that:

“If, within a period of five years following registration, the proprietor has not put the Community trade mark to genuine use in the Community in connection with the goods or services in respect of which it is registered, or if such use has been suspended during an uninterrupted period of five years, the Community trade mark shall be subject to the sanctions provided for in this Regulation, unless there are proper reasons for nonuse.”

INTA rejects the argument that plain packaging would be compatible with article 15(4) as this provision grants no “*right to use*” a trademark. First, it’s questionable that registration of a trademark would be possible if it could not be used. Second, Article 6^{quinquies} of the Paris Convention prohibits trademarks from being either denied registration or invalidated, except in very narrow situations (none of which apply to tobacco trademarks), contradicting views that the right to use a trademark is not covered by existing IP treaties such as the Paris Convention.

2. Unjustified Encumbrance

Article 20 of TRIPS provides that there shall not be an unjustifiable encumbrance “by special requirement” in the use of a trademark. Plain packaging would constitute an encumbrance on the use of the trademark and the issue is, therefore, whether it is justifiable or not.

In this respect, Article 8.1 of TRIPS provides some guidance, allowing measures which are “*necessary to protect public health ... provided that such measures are consistent with the provisions of [TRIPS].*” Presumably, the advocates for plain packaging are relying on this language for justification. However, this proposal does not fall within this exception, as it fails to meet the two required conditions:

- Article 8.1 does not justify measures which are inconsistent with the other provisions of TRIPS, notably Articles 17 and 20;
- It has not been demonstrated that plain packaging meets the test under Article 8 and therefore, that plain packaging is “*necessary*” to the purported objective.

The consultation document remains silent on the justification for a proposal on plain packaging. However, such justification and underlying evidence are of major importance in assessing both the proposal and the EU’s fulfillment of its international obligations. Without compelling evidence that plain packaging would achieve the EU public health

objective, plain packaging measures would be inconsistent with TRIPS and would constitute an unjustified encumbrance in breach of Article 20.

3. Failure to Provide Effective Protection

Plain packaging would fail to comply with Article 10^{bis} of the Paris Convention and its provisions against unfair competition, a risk not only to trademark owners but also to consumers. Among other factors that would undermine the effectiveness of plain packaging legislation is the existence of massive counterfeit, black market and grey market trade of consumer goods, including tobacco products. Indeed, the 2009 European Commission Taxation and Customs Union Report on Community Customs Activities on Counterfeit and Piracy notes that cigarettes and other tobacco products are one of the two main sectors for large seizures of counterfeit goods, accounting for 35% of the total seized articles.⁸

Combating counterfeit trade – on the legislative, regulatory and enforcement fronts – is a major ongoing policy initiative for the EU, as well as for stakeholders like INTA. However, these efforts hinge upon the maintenance of a principled, balanced and coherently articulated system of national and international treaties, laws and regulations, particularly in regards to trademarks and related intellectual property rights.

Plain packaging would make both counterfeiting and smuggling easier and therefore more attractive to criminals who profit from such activities. This presents the risk of an uncontrolled market for illegal products, potentially undermining the intention of plain packaging legislation to reduce smoking and instead leading to a prevalence of cheaper counterfeited or smuggled items.

4. Not Justified by Article 17 TRIPS

Plain packaging would not be a restriction that would be compatible under article 17 of TRIPS, since it is a deprivation of (and not a “limited exception” to) the rights conferred by the trademark which takes no consideration – and even goes against – the legitimate interests of the owner of the trademark.

5. Breach of EU Law and Fundamental Treaty Principles and the ECHR

Under various EU laws and treaties, a trademark is regarded as an “object of property” and trademark owners are entitled to have their registered trademarks accorded the consideration and protection due to all other objects of property. This principle is fundamental to the TRIPS, Paris Convention, EU Trademark Directive (First Directive 89/104/EEC of the Council of 21 December 1988 to Approximate the Laws of the Member States Relating to Trade Marks), and the Community Trade Mark Regulation.

⁸ http://ec.europa.eu/taxation_customs/resources/documents/customs/customs_controls/counterfeit_piracy/statistics2009.pdf at page 21

The right to property is guaranteed by Article 17(1) of the Charter of Fundamental Rights of the European Union, which states that “*Everyone has the right to own, use, dispose of and bequeath his or her lawfully acquired possessions,*” and IPR are specifically mentioned in Article 17(2)⁹. The Charter, pursuant to Article 6(1) of the Lisbon Treaty, is now binding and has “*the same value as the Treaties.*”

The right to property is also guaranteed by the European Convention for the Protection of Human Rights and Fundamental Freedoms of the Council of Europe (ECHR). The European Court of Human Rights in Strasbourg has confirmed that intellectual property, including trademarks, is covered by the right of property.¹⁰ The Lisbon Treaty proclaims that the ECHR “*shall constitute the general principles of the Union’s law.*”¹¹ Therefore, failure to protect intellectual property would constitute a breach of EU Treaty principles.

Consequently, plain packaging requirements, by allowing only the use of the brand/product name in a standard color, font style and size, would in fact deprive trademark owners of their property in their established trademark rights.

The Need to Assess Plain Packaging Compatibility with EU Legal Principles

INTA is concerned that the RAND Europe Report¹² fails to adequately assess the compatibility of plain packaging within the EU legal context. RAND Europe cited only two Australian authors who argue that plain packaging would not be a deprivation of IPR. INTA disagrees with the opinion of these two authors, and is concerned that RAND Europe limited its assessment to these two sources and made no independent attempt to analyze the compatibility of plain packaging with the EU fundamental principles and law before including it in its recommendations.

The Court of Justice of the European Union (CJEU) has consistently held that property rights are not absolute and their exercise may be restricted provided that “*those restrictions in fact correspond to objectives of general interest pursued by the Community and do not constitute a disproportionate and intolerable interference, impairing the very substance of the rights guaranteed.*”¹³ Indeed, the Charter of Fundamental Rights stipulates in Article 52 that the rights recognized in the Charter may be restricted, subject to the principle of proportionality, “*provided that such limitations are necessary and genuinely meet objectives of general interest recognized by the Union or the need to protect the rights and freedom of others.*”¹⁴

⁹ Article 17(2) reads: “*Intellectual property shall be protected*”

¹⁰ See ECHR case law *Anheuser Bush v Portugal*, GC 73049/01, judgement of 11 January 2007.]

¹¹ Article 6(3) TEU

¹² RAND Europe “assessing the impact of revising the Tobacco Products Directive”, September 2010, see notably Chapter 8 “Labelling and Packaging”, page 127- 157 of the report

¹³ See Case C-491/01 *British American Tobacco (Investments) Ltd* 10 December 2002; paragraph 149..

¹⁴ Charter of fundamental rights, Article 52(1)

Importantly, the Commission must take into consideration the admonishment by the CJEU in a recent case that EU “*institutions are obliged to balance the European Union’s interest and the infringement of the rights recognized [...] by the Charter.*”¹⁵

The Purported Objective of Plain Packaging is already covered by EU legislation

INTA notes that the RAND Europe Report, intended to provide input to DG SANCO on the impact assessment for the revision of the TPD, refers to the need to mandate plain packaging as a means to “*reduce the false beliefs relating to health risks.*”¹⁶ INTA respectfully notes that there is already existing EU legislation to prevent such misleading of consumers. In particular, the Directive on Unfair Commercial Practices¹⁷ aims to ensure that consumers can make informed and meaningful decisions, by prohibiting misleading or aggressive marketing and unclear, inaccurate and unsubstantiated claims made by traders in the EU¹⁸.

Furthermore, trademark rules prevent the registration of “*trade marks which are of such a nature as to deceive the public, for instance as to the nature, quality or geographical origin of the goods or service.*”¹⁹ If registration of the trademark is granted, it must be assumed that it is not misleading to the public. In fact, a remedy for any trademark deemed to be misleading to the public already exists in the trademark laws of all relevant jurisdictions, allowing any party to seek invalidation of a registered trademark, or oppose registration of new trademarks, irrespective of the category(ies) of products and services to which the trademark relates.

A general prohibition/invalidation of trademarks related to a specific product category (in this case, tobacco products) is therefore neither necessary nor appropriate, since other remedies already exist.

Enlarged Health Warnings

INTA also notes the reference in the consultation document to enlarged health warning on the pack. The consultation document does not provide any further details. However the report from RAND Europe refers to an increase of the size of up to 100% on the back and up to 75% on the front of the pack, leaving only a minimal space for branding on the pack.

¹⁵ Joint Case C-92/09 and C-93/09 paragraph 85.

¹⁶ RAND Europe, at page 131.

¹⁷ *Directive 2005/29/EC of the European Parliament and of the Council of 11 May 2005 on Unfair Commercial Practices.*

¹⁸ Commission Staff Working Document: *Guidance on the Implementation / Application of Directive 2005/29/EC on Unfair Commercial Practices.* Sec (2009) 1666 at page 6.

¹⁹ Article 7(g) of CTMR 207/2009 of 26 February 2009 (codified version). The various trademark agreements and treaties contain similar provisions.

INTA has no views on the underlying research that led to the proposal of this measure. However, the consultation document of the Commission remains silent on the assessment of the proportionality of this policy option.

It is questionable whether increasing the size of health warnings to that level would be compatible with the CJEU's and Advocate General Geelhoed's consideration of health warnings, which needs to leave "sufficient space"²⁰ available to trademark owners so that "normal usage" can still be "possible."²¹ It is noteworthy that the Advocate General Geelhoed referred to a surface of "even less than 50%" of the pack to justify the space mandated for health warnings in the Tobacco Products Directive 2001/37/EEC. While the Commission consultation document does not specify the actual size increase, some proposals from the RAND Europe report substantially exceed this threshold.

Conclusion

INTA urges DG SANCO, as well as the other relevant DGs of the European Commission, to seriously consider the highly negative effects that plain packaging legislation could have not just within the tobacco industry, but potentially across all sectors of consumer goods.

We note that the European Commission, in its Third Strategic Review of Better Regulation in the European Union²², states that:

"Improving the quality of new initiatives is an essential part of the better regulation agenda. In line with international best practice, the Commission believes that the most effective way of creating a better regulation culture is by making those people who are responsible for policy development also responsible for assessing the impacts of what they propose."

Along those lines, we recommend that such a far-reaching measure as plain packaging cannot be introduced within the EU Acquis without an impact assessment and proper legal considerations, in particular regarding the implications on intellectual property legislation and international agreements to which the EU and/or its Member States are signatories.

INTA appreciates that DG SANCO has yet to finalize its impact assessment on the various suggestions made in the consultation document, particularly plain packaging, and respectfully recalls that the Council Recommendation on smoke-free environments²³ invited the Commission to "*analyse the legal issues and the evidence base for the impact of plain packaging, including on the functioning of the internal market.*" INTA is not aware that this analysis has been completed.

²⁰ Case C-491/01, paragraph 132

²¹ Idem – opinion of A.G. Geelhoed; Paragraph 266.

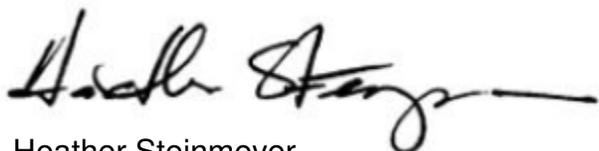
²² <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=COM:2009:0015:FIN:EN:PDF>

²³ COUNCIL RECOMMENDATION of 30 November 2009 on smoke-free environments (2009/C 296/02)

Furthermore, given the risks of counterfeited and black market tobacco products to consumers, the unfair and disproportionate impact on the interests and rights of trademark owners in the tobacco industry as well as its probable adverse impact on the balance and integrity of the trademark system, INTA respectfully urges that the possible revision of the TPD should not include any reference to plain packaging.

INTA would be happy to answer any questions you may have on these issues. Should you require further information, please contact Ms. Carla Schwartz at cschwartz@inta.org.

Sincerely,

A handwritten signature in black ink, appearing to read "Heather Steinmeyer", with a long horizontal flourish extending to the right.

Heather Steinmeyer
President

APPENDIX

Paris Convention for the Protection of Industrial Property (1883)

Article 6quinquies: Marks: Protection of Marks Registered in One Country of the Union in the Other Countries of the Union

“B.

Trademarks covered by this Article may be neither denied registration nor invalidated except in the following cases:

- (i) when they are of such a nature as to infringe rights acquired by third parties in the country where protection is claimed;
- (ii) when they are devoid of any distinctive character, or consist exclusively of signs or indications which may serve, in trade, to designate the kind, quality, quantity, intended purpose, value, place of origin, of the goods, or the time of production, or have become customary in the current language or in the bona fide and established practices of the trade of the country where protection is claimed;
- (iii) when they are contrary to morality or public order and, in particular, of such a nature as to deceive the public. It is understood that a mark may not be considered contrary to public order for the sole reason that it does not conform to a provision of the legislation on marks, except if such provision itself relates to public order.

This provision is subject, however, to the application of [Article 10bis](#).”

Article 7: Nature of the goods to which the mark is applied

“The nature of the goods to which a trademark is to be applied shall in no case form an obstacle to the registration of the mark.”

Article 10bis: Unfair competition

- “(1) The countries of the Union are bound to assure to nationals of such countries effective protection against unfair competition.
- (2) Any act of competition contrary to honest practices in industrial or commercial matters constitutes an act of unfair competition.
- (3) The following in particular shall be prohibited:
 - (i) all acts of such a nature as to create confusion by any means whatever with the establishment, the goods, or the industrial or commercial activities, of a competitor;

- (ii) false allegations in the course of trade of such a nature as to discredit the establishment, the goods, or the industrial or commercial activities, of a competitor;
- (iii) indications or allegations the use of which in the course of trade is liable to mislead the public as to the nature, the manufacturing process, the characteristics, the suitability for their purpose, or the quantity, of the goods.”

Agreement on Trade-related aspects of Intellectual Property Rights (1994)

Article 2: Intellectual Property Conventions

- “1. In respect of Parts II, III and IV of this Agreement, Members shall comply with Articles 1 through 12, and Article 19, of the Paris Convention (1967).
2. Nothing in Parts I to IV of this Agreement shall derogate from existing obligations that Members may have to each other under the Paris Convention, the Berne Convention, the Rome Convention and the Treaty on Intellectual Property in Respect of Integrated Circuits.”

Article 8.1: Principles

“Members may, in formulating or amending their laws and regulations, adopt measures necessary to protect public health and nutrition, and to promote the public interest in sectors of vital importance to their socio-economic and technological development, provided that such measures are consistent with the provisions of this Agreement.”

Article 15: Protectable Subject Matter

- “1. 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, numerals, figurative elements and combinations of colours as well as any combination of such signs, shall be eligible for registration as trademarks. Where signs are not inherently capable of distinguishing the relevant goods or services, Members may make registerability depend on distinctiveness acquired through use. Members may require, as a condition of registration, that signs be visually perceptible.
2. Paragraph 1 shall not be understood to prevent a Member from denying registration of a trademark on other grounds, provided that they do not derogate from the provisions of the Paris Convention (1967).
4. “The nature of the goods or services to which a trademark is to be applied shall in no case form an obstacle to registration of the TM.”

Article 20: Other Requirements

“The 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. This will not preclude a requirement prescribing the use of the trademark identifying the undertaking producing the goods or services along with, but without linking it to, the trademark distinguishing the specific goods or services in question of that undertaking.”