



**International Trademark Association**

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Ewa Björling  
Minister for Trade  
Ministry for Foreign Affairs  
Gustav Adolfs torg 1  
SE-103 39 Stockholm

2 October 2009

RE: INTA Comments on the Proposal for a Council Recommendation on Smoke-Free Environments

Dear Ms. Björling:

INTA would like to offer the following comments on the Council of the European Union's Proposal for a Council Recommendation on Smoke-Free Environments, of 8 September 2009. We have heard that there has been a debate in the Council's Health Working Group regarding plain packaging for tobacco products.

INTA would like to preface our remarks by assuring Sweden 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 our organization, and speaks in our capacity as the representative of a broad spectrum of brand owners spanning all fields of commerce and industry, along with other stakeholders in the global trademark law system.

Our view is that plain packaging is an intellectual property rights issue before a health issue. Intellectual property rights are a crucial aspect of the global economy, and trademarks play a significant role in free trade and competition. Requiring plain packaging for tobacco products 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.

Our principal concern with the Proposal lies with the recommendation which encourages Member States to consider introducing plain packaging on the packages of smoking tobacco products. 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 concerned that plain packaging provisions for tobacco products

could trigger additional regulations restricting the use of trademarks on other products.

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 also 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 the packaging of tobacco products, or if such trademarks were only permitted in a prescribed, unitary form that does not correspond to intended, registered graphic representation of the trademarks.

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)<sup>1</sup>:

*"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."*

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.

Under various 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 World Trade Organization's Agreement on Trade-related Aspects of Intellectual Property Rights (TRIPS), the World Intellectual Property Organization's Paris Convention for the Protection of Industrial Property, the 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.

Consequently, INTA believes that plain packaging requirements, by allowing only the

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

use of the brand/product name in a standard color and font style, would in fact deprive trademark owners of their property in their established trademark rights. The plain packaging provisions would unduly and punitively restrict and vitiate the pre-existing rights of trademark owners in the tobacco industry.

### **Violations of Treaty Obligations**

Plain packaging would effectively require tobacco manufacturers to cease using many of their trademarks that are registered in Sweden. INTA is of the view that such a policy would breach international treaty obligations under the Paris Convention and the TRIPS Agreement. (The relevant articles from TRIPS and the Paris Convention are set out in the attached appendix.)

We believe that plain packaging is inconsistent with the Paris Convention and TRIPS in three specific ways:

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; and
3. Failure to provide effective protection – Article 6*quinquies*, Article 10*bis* of the Paris Convention and Article 2 of TRIPS.

#### **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.” Crucially, 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 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.*

#### **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, we do not believe that this Proposal falls within this exception. It has not been demonstrated that plain packaging meets the test under Article 8. We are not aware of compelling evidence that plain packaging would achieve the Council’s public health objective, and, in any event, such a measure would be inconsistent with TRIPS and would therefore 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 2007 European Commission Taxation and Customs Union Report on Community Customs Activities on Counterfeit and Piracy notes that cigarettes are one of the two main sectors for large seizures of counterfeit goods, accounting for 34.35% of the total seized articles.<sup>2</sup>

Combating counterfeit trade – on the legislative, regulatory and enforcement fronts – is a major ongoing policy initiative for 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 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.

### **Conclusion**

INTA hopes that Sweden will further consider the highly negative effects that plain packaging legislation could have not just within the tobacco industry but across all

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<sup>2</sup>[http://ec.europa.eu/taxation\\_customs/resources/documents/customs/customs\\_controls/counterfeit\\_piracy/statistics2007.pdf](http://ec.europa.eu/taxation_customs/resources/documents/customs/customs_controls/counterfeit_piracy/statistics2007.pdf)

sectors of consumer goods.

We note that the European Commission, in its Third Strategic Review of Better Regulation in the European Union<sup>3</sup>, 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.

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 recommendation 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](mailto:cschwartz@inta.org).

Sincerely,



Richard Heath  
President, International Trademark Association

*INTA is a not-for-profit association of trademark owners and professionals from more than 190 countries throughout the world, including all 27 Member States of the European Union. Our Association is headquartered in New York with representative offices in Brussels and Shanghai. Representing the trademark community since 1878, INTA is dedicated to the support and advancement of trademarks and related intellectual property as elements of fair and effective national and international commerce. INTA's membership includes over 5,700 trademark owners and professional firms spanning all fields of commerce and industry, including consumer goods makers, service providers, manufacturers and retailers.*

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<sup>3</sup> <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=COM:2009:0015:FIN:EN:PDF>

## APPENDIX

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

#### **1. 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.”

#### **2. 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.”

#### **3. 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 register ability 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.”

#### **4. 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.”

#### **Paris Convention for the Protection of Industrial Property (1883)**

##### **5. 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 10*bis*.”

## **6. 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.”

## **7. Article 10*bis*: 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.”