



PUBLIC CONSULTATION ON THE POSSIBLE REVISION OF THE TOBACCO PRODUCTS DIRECTIVE 2001/37/EC

The Association Internationale Pour la Protection de la Propriété Intellectuelle („AIPPI“) would like to offer the following comments on the EU’s Public Consultation on the possible revision of the Tobacco Products Directive 2001/37/EC. Specifically, these comments are directed to the possible policy option of future law requiring plain packaging of tobacco products.

1. About AIPPI

AIPPI is the world’s leading international organization, founded in 1897, dedicated to the development, improvement, and legal protection of intellectual property. AIPPI is a politically neutral, non-profit organization headquartered in Switzerland having over 9000 members representing over 100 countries and operating mainly through National Groups. The members of AIPPI include intellectual property lawyers, patent and trademark attorneys and patent and trademark agents in corporate and private practice throughout the world, as well as academics and other persons interested in intellectual property.

The primary goals of AIPPI are to promote the protection of intellectual property on a national and international basis and to study and compare existing laws and proposed new laws to propose improvements thereto. AIPPI pursues these objectives, in part, by working for the development, expansion and improvement of international regional treaties and agreements and also of national laws relating to intellectual property. In its long history, AIPPI has adopted more than 700 Resolutions and Reports. An AIPPI Resolution is a Statement of Policy regarding a specific Intellectual Property Issue, approved by the collective country delegates of AIPPI. Such a Resolution is only issued after lengthy study and discussion and subsequent vote by a majority of delegates present at an Annual Meeting of the Executive Committee of AIPPI. The presentation of these Resolutions and Reports to International Governmental Organizations, in particular the World Intellectual Property Organization (WIPO), has contributed considerably to the development, improvement and harmonization of the international protection of intellectual property.

AIPPI has adopted one Resolution on issues relevant to this Public Consultation: Resolution Q151 “The impact of Advertising Restrictions on Trademarks”, concluded in Sorrento, Italy in 2000, which will be discussed below.

2. The Specific Proposal of Concern to AIPPI

Option 3 in subsection 3.2 of the on-line Public Consultation Document states that *"Plain or generic packaging would standardise the appearance of tobacco packaging. Manufacturers would only be allowed to print brand and product names, the quantity of the product, health warnings and other mandatory information such as security*

markings. The package itself would be plain coloured (such as white, grey or plain cardboard). The size and shape of the package could also be regulated."

AIPPI understands that any such plain packaging requirement, if implemented, would seek to prohibit use of all trade marks (and other IPRs) on tobacco products, other than word marks in standard size, type face and plain color.

3. Public Health Issues

AIPPI fully understands the importance of improving Public Health. The European Union has a legitimate interest in proposing measures to further this objective. The following comments are limited to the potential implications for trademarks and counterfeit trade resulting from plain packaging and not the public health related issues.

4. What is a Trademark?

According to Article 15 of the TRIPS agreement 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 combination of colors as well as any combination of such signs, shall be eligible for registration as trademarks.

The European Union is a signatory to TRIPS, and the corresponding provisions of 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 Trademarks) and the Community Trademark Regulation (Council Regulation (EC) 207/2009 of 26 February 2009 on the Community Mark) incorporate this into European law. According to Article 4 of the Community Trademark Regulation a Community trademark 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.

5. Trademark-related Issues

Introduction of mandatory plain packaging would raise a number of issues that are directly relevant to trademark law. Those issues include the following:

Trademarks indicate the source of goods and services. As a result, trademarks facilitate consumer choice by distinguishing products of one undertaking from those of another undertaking. Equally, they assure consumers of the consistency of a product's quality and proper accountability.

Plain packaging legislation would essentially remove most means for companies to differentiate their products from those of their competitors through product packaging. This means that trademarks would not be able to function as an indication of origin in

the same way if plain package legislation were introduced. Trademarks are not only words, but also logos, colors, the shape or the design of the package itself (trade dress). Any graphical element that adds to the distinctiveness of a product can be registered as a trademark. Therefore, even if plain packaging still allows the use of a word mark in a standardized typeface, size and plain color, it would deprive trademark owners of using their registered trademarks as well as design elements that would otherwise be available. Accordingly, plain packaging would limit product differentiation and the consumer's ability to make informed decisions to buy the product of their choice.

Another consequence of plain packaging legislation is that trademark owners would be obliged to cease use of their registered marks other than their trademarks that consist only of words. It is not clear whether plain packaging legislation would constitute a proper reason to justify the non-use.¹ As a result, trademarks could become vulnerable to attack and cancellation on the grounds of non-use after five years. In the event that any plain pack legislation is amended or superseded in the future the prior existing rights of the owners of validly registered trademarks would not be safeguarded. As such plain pack legislation could amount to an effective expropriation of trademarks.

Under various laws and treaties, a trademark is regarded as personal property. As such trademarks are accorded protection by law. The European Court of Human Rights in *Anheuser-Busch v Portugal* ([2007] ETMR 24) has held that Article 1 of the First Protocol to the European Convention on Human Rights applies to intellectual property rights, including trademarks, and that an application for registration of a trademark (and thus, the registration itself) is a substantive interest protected by Article 1 of the First Protocol. The plain packaging provisions would unduly restrict and vitiate the pre-existing rights of trademark owners in the tobacco industry.

6. Facilitating counterfeit trade

There is a large counterfeit trade of consumer goods, including tobacco products. 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 nearly 35% of the total seized articles (see http://ec.europa.eu/taxation_customs/resources/documents/customs/customs_controls/counterfeit_piracy/statistics2007.pdf).

It is estimated that the EU and Member States lose up to 10 billion euro in unpaid taxes every year from counterfeit and smuggled tobacco products. In addition, counterfeit and other forms of contraband create a parallel illegal supply chain that undermines legitimate distribution channels and competes unfairly with genuine products distributed through legitimate channels. The illicit trade in cigarettes is often used to fund more sinister activities, such as terrorism and organized crime. For all

¹ It is noteworthy that in the framework of the discussion of Resolution Q151 "The impact of Advertising Restrictions on Trademarks" the delegates present at the Executive Committee of AIPPI in Sorrento, Italy, in 2000 could not agree on whether a total or partial ban on advertising applicable to certain goods or services would as a general rule constitute a justified reason for non-use of a mark under art. 5 C of the Paris Convention, as evidenced by the use of the term 'may' in point 4 of the Resolution.

these reasons, the Commission and the EU Member States have made the fight against counterfeit and contraband cigarettes a significant priority. Earlier this year, the European Commission signed a multi-year agreement with British Tobacco (BAT) to work together in tackling the illicit trade in tobacco products (see http://ec.europa.eu/commission_2010-2014/semeta/headlines/news/2010/07/20100715_en.htm).

The complexity of tobacco packaging is one important element which enables trademark owners and customs authorities to establish whether a product is genuine or counterfeit. Therefore, plain packaging would facilitate counterfeit trade. This presents the risk of an uncontrolled market for illegal products and could lead to a prevalence of cheaper counterfeited items. This would not only potentially undermine the above mentioned EU's efforts to fight the illicit tobacco trade. It would equally undermine the intention of plain packaging legislation to reduce smoking. Finally, counterfeit products are also unlikely to comply with legal standards and may therefore be more damaging to public health. This would obviously be contrary to the public interest and, more specifically, to the improvement of public health.

7. Issues under International Treaties

AIPPI is of the view that plain packaging legislation would be inconsistent with a number of international treaty obligations under the Paris Convention and the TRIPS agreement. These international treaty obligations include the following:

Article 7 of the Paris Convention and its equivalent, Article 15(4) TRIPS, provide that the nature of goods "shall in no case form an obstacle to the registration of the mark". Similarly, point 1 of Resolution Q151 adopted by the Executive Committee of AIPPI in Sorrento, Italy, in 2000 provides that "restrictions on advertising applicable to certain products or services should not constitute any obstacle to the acquisition of trademark rights for the relevant goods or services". Importantly, the requirement that the nature of goods 'shall in no case form an obstacle to the registration of the mark' is absolute and not subject to Article 8.1 TRIPS (see below). Under plain packaging legislation, tobacco manufacturers would arguably not be able to register non-word trademarks. The effect, therefore, would be to restrict registration due solely to the nature of the goods, i.e. tobacco products.

Article 20 TRIPS provides that there shall not be an unjustifiable encumbrance "by special requirements" in the use of a trademark. Similarly, consideration 2 of Resolution Q151 adopted by the Executive Committee of AIPPI in Sorrento, Italy, in 2000 provides that "concerns of social policy may justify certain advertising restrictions. These restrictions, however, may not be disproportionate or unreasonable (see for instance Article 20 of the TRIPS-Agreement)". Plain packaging would constitute an encumbrance on the use of the trademark. The question, therefore, is whether it is justifiable or not.

In this regard, Article 8.1 TRIPS provides some guidance, allowing measures which are "necessary to protect public health ... provided that such measures are consistent with the provisions of TRIPS". AIPPI submits that plain packaging legislation would not fall within this exception. It has not been demonstrated 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 TRIPS. Equally, plain packaging would be disproportionate and this is inconsistent with Resolution Q151 adopted by the Executive Committee of AIPPI in Sorrento, Italy, in 2000.

Finally, plain packaging would fail to comply with Article 10bis of the Paris Convention. According to this provision, the countries of the Union are bound to assure to nationals of such countries effective protection against unfair competition. As more fully explained above, plain packaging would facilitate counterfeit trade and therefore amount to a failure to provide effective protection to trademark owners and consumers against unfair competition.

8. Conclusion

Accordingly, AIPPI respectfully submits that the policy option of future law requiring plain packaging of tobacco products be abandoned as its implementation would raise fundamental issues under trademark law, facilitate counterfeit trade and be inconsistent with a number of international treaty obligations.

AIPPI's concerns about plain packaging extend beyond the proposed regulations for tobacco products. AIPPI fears that the introduction of plain packaging for tobacco products could set a precedent for other consumer products, and thus introduce greater restriction on trademark use at large.

Respectfully submitted,

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