

Plain Packaging Questionnaire

Answers German Group

Questions

Please answer the following questions. For each of questions 1) – 10) below, please answer in relation to your country's national laws including any constitutional law.

1) If the general conditions of registrability are met, does the product or service in relation to which a trade mark is used or proposed to be used have any affect on the ability to:

- (a) register the trade mark; and**
- (b) use it once so registered?**

No. Neither the (harmonised) European trade mark laws (Council Regulation (EC) No 207/2009 on the Community trade mark – “CTMR”), nor national German laws on trade marks (Markengesetz – “MarkenG”) impose any specific or additional requirements or contain any restrictions in relation to the products or services for which a trade mark can be registered or used once it is registered.

2) What rights are derived from trade mark registration?

According to Section 14 MarkenG, a trade mark confers an exclusive right to its owner. A third party is prohibited from using identical signs for identical goods or services (Sec. 14 (2) No. 1 MarkenG), from using a sign which is likely to cause confusion because of the identity or similarity of the sign and the identity or similarity of the goods or services covered by the trade mark and the sign, including the likelihood of association with the trade mark (Sec. 14 (2) No. 2 MarkenG) and from using an identical or similar sign which takes unfair advantage of, or is detrimental to, the distinctive character or the repute of a trade mark which has a reputation (Sec. 14 (2) No. 3 MarkenG).

In particular, under these conditions, third parties are prohibited from affixing the sign to goods or their wrappings or packaging, from offering goods under the sign, putting them on the market, or from stocking them for the above purposes, from offering or providing services under the sign, from importing or exporting goods under the sign, and from using the sign in business papers or in advertising.

3) What rights exist in relation to a sign used as a trade mark but not registered? What is the basis of any such right?

According to Sec. 4 MarkenG, trade mark protection is granted for (1) registered trade marks, (2) unregistered trade marks resulting from the use of a sign in the course of trade insofar as the sign has acquired public recognition (“*Verkehrsgeltung*”) as a trade mark within the affected trade circles, or (3) a well-known mark within the meaning of Article 6bis of the Paris Convention.

Thus, trade mark protection and the rights derived from a trade mark (see Question 2) may apply also to non-registered marks.

4) Is it possible to:

- (a) obtain; or**
- (b) maintain;**
registration for a trade mark that is not:
 - (i) used; or**
 - (ii) intended to be used?**

It is possible to obtain registration for a trade mark which is not – yet – used and also for trade marks which are (at the time of application/registration) not intended to be used. In the European and the German trade marks system, a strict use requirement (as, for example, in the U.S.) does not exist.

However, in principle, in case a trade mark is not used within five years following the date of registration for the goods or services it is registered for, it is not possible to maintain the trade mark registration. In this regard, the so-called

“grace period” of five years applies. Therefore, if, within a continuous period of five years, the trade mark has not been put to genuine use in connection with the goods or services in respect of which it is registered - and there are no proper reasons for non-use – the trade mark can be revoked and subject to cancellation.

Nevertheless, if a mark is registered or applied for without any intent of use, this can be an important indication that the mark has been applied for in bad faith, i.e. application of a mark primarily for the purpose of obstructing a competitor to use such sign. Such application in bad faith is considered an absolute ground for invalidity (Art. 52 (1) (b) CTMR; Sec. 8 (2) No. 10 MarkenG).

5) If yes to 4) above, are the rights derived from such trade mark registration the same or different to registered trade marks that are used?

The rights derived from any registered trade marks are the same, as long as they are registered and have not been cancelled due to non-use (what is only possible if the trade mark has not been used for a five-years period).

6) Are rights in unregistered trade marks dependent on use? Whether yes or no, please explain the basis for your answer.

Yes. As explained in Question 3, in Germany, also unregistered trade marks can be protected. The prerequisite for protection of non-registered marks is that they have acquired public recognition as a trademark (so-called “Verkehrsgeltung”). Such recognition can be obtained only by marks which have actually intensively been used in the course of trade. Only a considerable extent of recognition within the relevant public justifies an exemption from the general principle that trade mark rights are generated by the act of registration.

The same applies to well-known trade marks according to Art. 6bis of the Paris Convention. The status of a well-known mark can be obtained only through very intensive use within the relevant public (60 % to 70 %).

7) Is there any basis to restrict the use of:

- (a) a registered trade mark; or
- (b) a sign used as a trade mark?

If yes, please explain any relevant laws or precedents.

As explained above, registered trade marks and those non-registered marks protected as a trade mark through intensive use (“Use marks” = Benutzungsmarken) are treated equally as they confer the same rights.

Provided that a sign is eligible for trade mark protection, the use of a trade mark could only be restricted in case such use would be considered as misleading or an act of unfair competition according to the German Act against Unfair Competition (“UWG”).

Apart from that, there is an exhaustive list of provisions allowing the limitation of the scope of protection of a mark. These provisions include, for instance, the principle of exhaustion (Sec. 24 MarkenG, Art. 13 CTMR), use requirement or the right of third parties to descriptive use (which can not be prohibited by the proprietor of a trade mark according to Art. 12 CTMR and Sec. 23 MarkenG).

But there is neither in the CTMR nor the German trade mark law a basis to restrict the use of a trade mark for specific goods or services. Such restriction would also violate Art. 7 of the Paris Convention and Art. 15 (4) TRIPS which are directly applicable in the European Union (see European Court of Justice, Judgment of March 15, 2012, Case C-135/10 – Marco del Corso).

8) Is there any basis for the state or any state-controlled body to expropriate?

- (a) a registered trade mark;
- (b) a sign used as a trade mark; or
- (c) the rights deriving from either (a) or (b)?

If yes, please explain any relevant laws or precedents.

At present, there is no basis to expropriate trade marks or the rights arising from such trade marks. We are not aware of any case where an expropriation of a trade mark has occurred in Germany. But, in general, under German law, an expropriation would be possible, although bound to specific conditions. First, Art. 14 para 3 of the German Constitution (“Grundgesetz”) allows expropriation only in case of a general public interest. Second, expropriation is only allowed on the basis of a statutory act or based on an act which, at the same time, lays down the manner and the extent of the compensation for the given expropriation (so called *Junctim*-clause). Third, the compensation must be fixed by fair balancing of the public interest and the party’s interest.

In addition, account has to be taken of European constitutional laws, according to which a trade mark (registered or protected through use) as an intellectual property is protected as a Right to Property (Art. 17 (2) of the Charter of the Fundamental Rights of the European Union (“the Charter”). According to Art. 52 (1) of the Charter, any limitation of fundamental rights must be provided for by law and respect the essence of such rights. Further, the principle of proportionality has to be respected, so that it has to be assessed whether the limitation is necessary and genuinely meets objectives of general interest (cf. *Wehlau*, “Verbraucherschutz durch Einheitspackungen” *Food & Recht Praxis*, 2012, page 1, 2). Any expropriation/restriction would thus be governed by these (strict) requirements of the German and European constitutional laws. (for further details see Question 15).

The requirements of an expropriation are not fulfilled (e.g. the expropriated object must be used to fulfil a public function, see in depth below Question 15 (c)(ii)). However, even in cases of restriction, it is held that there would be cases in which a statutory act could only be considered as still being proportionate, if there were financial compensation for the owners affected (see *Jarass*, *New Dimensions of Tobacco Regulation and Fundamental Rights and Freedoms*, 2012, page 112, footnote 556). *Jarass* argues that this should at least apply with regard to the considerable value of various tobacco trade marks (*Jarass*, page 111). Otherwise, prohibition of brand packaging would be in breach of the basic rights of the

Charter, given the serious concerns with regard to both the necessity of the prohibition of tobacco brand packaging and the proper balancing of the interests involved.

- 9) If yes to 7) or 8) above, do public interest considerations provide any basis for such restriction or expropriation ("Restriction/Expropriation")? If yes, please explain any applicable public interest considerations, and any relevant laws or precedents.**

Public interest considerations might provide a basis for Restriction/Expropriation. However, the present law can not form a basis for Restriction/Expropriation (as specific laws were necessary). Any such expropriating (or restricting) acts would have to take public interests into account as the Restriction/Expropriation of (intellectual) property can only be justified by the general interests and the welfare of the society ("Wohl der Allgemeinheit", Art. 14 (3) Grundgesetz, Art. 52 of the Charter). In other words: if a restriction or expropriation was not based on public interests, it would not be legitimate. Further, as regards Art. 14 of the German basic law (Grundgesetz") and outlined under Question 8 above, a statutory act expropriating must stipulate at the same time the manner and the extent of the compensation.

As a general rule, the Right in Property is subject to the so-called constitution-immanent barriers. Therefore, the content and scope of the Right in Property is *per se* limited by other fundamental rights of others or by public interests protected by the constitution, as, for example, the protection of third parties life. In this context, public interests (protected by the constitutional laws) could form the basis of a Restriction/Expropriation. For example, it is established case law, that the basic rights of the Grundgesetz, such as the freedom to speech, may be a defence against trade mark infringement claims. We cite the headnote 2 from the leading case of the Federal Supreme Court (GRUR 2005, 583 – Lila Postkarte), concerning the defence that freedom of art according to Art. 5 (3) of the German constitution (Grundgesetz) is justifying trade mark infringement under the given circumstances of the case:

“2. If a trade mark with a reputation is used in a witty and humorous manner in the getup of a product (here, a reproduction on a postcard), the dishonesty of the exploitation of the plaintiff's trade mark's distinctive character (exploitation of attentiveness) can be denied on the grounds of the freedom of art pursuant to Art. 5 (3) of the German Constitution.”

To give another example: The District Court of Berlin has denied trade mark infringement in case the trade mark is used in a context of humour and satire, as this use is protected by the artistic freedom, Art. 5 Grundgesetz (cf. District Court of Berlin, ZUM-RD 2008, page 413 et subs.)

One of the fundamental concepts of German and European constitutional laws is the principle of proportionality (expressly mentioned under Art. 52 of the Charter). When assessing the proportionality of a Restriction/Expropriation, any public interest considerations have to be taken into account and can be the deciding issue for legitimating it. For instance, real property can be expropriated for infrastructural measures (roads, airports). Of course, as regards plain packaging requirements, the protection of the health of humans is a very important issue when assessing the proportionality. However, most legal writers stress that the following points speak against the proportionality of provisions on plain packaging: Other measures might suffice, such as bigger warning pictures on the packaging. Moreover, it is stressed that it is quite unclear whether plain packaging might really reduce tobacco consumption. On the other hand, trade marks are very important fundamental rights (see for instance Art. 17 (2) Charter and *Jarass*, *New Dimensions of Tobacco Regulation and Fundamental Rights and Freedoms*, 2012, page 110 et seqq.)

10) If yes to 7) or 8) above, are trade marks different from other intellectual property rights in this regard?

No. In this regard the same considerations apply to all kinds of intellectual property. Moreover, intellectual property rights will not be treated differently than other property rights.

However, there are already particular provisions in force regarding patents and utility models in order to protect public interests and resolve the conflict of these interests with the exclusive rights of the owner of the patent/utility model. In particular, Section 24 of the German Patent Act (Patentgesetz – “PatG”) provides for a compulsory license in case such license is necessary to protect public interests. Further, Section 13 PatG explicitly provides that a patent can be expropriated for the interests of public welfare.

- 11) If yes to 7) or 8) above, are any treaty or other international obligations relied on to provide a basis for such Restriction/Expropriation (as applicable)? If yes, please explain the international obligations, and how those obligations are reflected in or received into your country's law.**

No, we are not aware of any international obligations which might provide a basis for expropriation. To the contrary, for instance, according to Art. 20 TRIPS, the use of a trademark shall not be unjustifiably encumbered by special requirements.

- 12) Is your country a signatory to the WHO Framework Convention on Tobacco Control ("FCTC")? If yes, has your country ratified the FCTC?**

Yes. Germany is a signatory to FCTC and has in fact ratified it in December 2004.

- 13) If yes to 12) above, has the FCTC been implemented in your country? If yes, please explain its legal impact, if any, including by reference to the Guidelines for Implementation of Articles 11 and 13 of the FCTC.**

The FCTC and its Guidelines, which do not have a binding legal effect (see Question 14), have been implemented in Germany, at least in part (for further details see Germany's Implementation Reports under http://www.who.int/fctc/reporting/party_reports/deu/en/index.html). After the ratification of the FCTC, Germany has taken additional measures regarding tobacco promotion and advertising, preventing tobacco dependence. Its priority area for implementation of the WHO Framework is the protection from exposure

to tobacco smoke in public places. As a consequence, there are regulations in force restricting smoking in public areas or restaurants.

14) Is the FCTC received directly into your country's domestic law or is domestic legislation required to give it effect in your country's law?

The FCTC is not received directly in Germany. It is merely to be considered as non-binding recommendations (cf. *Wehlau*, “Verbraucherschutz durch Einheitspackungen” *Food & Recht Praxis*, 2012, page 1 et subs.). In order to give FCTC effect in Germany, domestic law is required. It is, however, also possible (and probable) that these issues be treated by European legislation, which would then have legal effect also in Germany. However, it should be noted that it is at least questionable whether the European Union has power of harmonisation (Art. 114 Treaty on the Functioning of the European Union) in this regard (cf. *Deutsche Tabak Zeitung*, 2013, No. 28, citing *di Fabio*, a former judge of the Federal Constitutional Court).

15) If there is presently a legal basis in your country for permitting any Restriction/Expropriation, please answer the following questions in relation to both registered trade marks and unregistered trade marks (if your country recognizes/protects the latter).

(a) What are the parameters for such Restriction/Expropriation? For example, the nature of any stated public interest considerations, the proportionality of the proposed measure to the Restriction/Exploration.

Under Art. 14 (3) (1) Grundgesetz, an expropriation is allowed only in case of a general public interest. Further, according to Art. 14 (3) (2) Grundgesetz, expropriation is only allowed on the basis of an act or based on an act which lays down the way and the extent of the compensation (so called *junctim*-clause). Further, the compensation must be fixed by fair balancing of the public interest and the owner’s interest.

In principle, the same applies with regard to Art. 52 of the Charter.

Further, an expropriation must respect the essence of the rights (“*Wesensgehalt*”) in the (intellectual) property (Art. 52 (1) Charter, Art. 19 (2) Grundgesetz).

Moreover, under the Charter and under German constitutional law (“Grundgesetz”) the principle of proportionality (“*Verhältnismäßigkeit*”) has to be respected, i.e. limitations of fundamental rights may only be made if they are necessary and genuinely meet objectives of general interest or the need to protect the rights and freedoms of others (see for instance Art. 52 (1) of the Charter).

As to assessing the proportionality of any such Expropriation/Restriction: Public interests have to be taken into consideration. According to the German approach there are three sub-criteria to assess proportionality: suitability of the prohibition of brand packaging to protect health, necessity and finally, the appropriateness of the measure (cf. in depth Jarass, “New Dimensions of Tobacco Regulation and Fundamental Rights and Freedoms”, a new serious work on the constitutional problems, in German and English, 2012, page 135 et seq.). A balance of interests must be found between the interests of the proprietor of a trade mark and its rights in intellectual property on the one hand and the need for public health protection on the other hand (cf. in depth Jarass, “New Dimensions of Tobacco Regulation and Fundamental Rights and Freedoms”, a new serious work on the constitutional problems, in German and English, 2012, page 103). As outlined above, legal writing takes the view that plain packaging would infringe basic rights under the Charter and the Grundgesetz (see above Question 9 at the end).

- (b) Is it relevant that such Restriction/Expropriation only applies in relation to a particular class of products, eg tobacco products, foods deemed to be unhealthy or alcohol?**

Yes, the assessment of proportionality and, consequently, the legitimacy of a Restriction/Expropriation must be made for each specific class of products, particularly. In other words: plain packaging requirements could be, for instance, still proportionate for cigarettes, but not for food. The tobacco health risks have a considerable weight in balancing the interests involved. That is why the assessment has to be made case by case, product by product.

- (c) **What are the financial consequences for the state and the trade mark rights holder respectively? For example, is a rights holder entitled to or eligible for any compensation in respect of the Restriction/Expropriation? If yes, what type of rights holders are so entitled or eligible? If not, why is no compensation available?**

If plain packaging were considered as an expropriation, a financial compensation would be mandatory (see in depth Question 15 (a) above). As will be outlined here under (ii), the requirements of an expropriation are not fulfilled.

However, even assuming a restriction, as already outlined above under Question 8 at the end, financial compensations of the tobacco trademark owners might at least be necessary in order to satisfy the constitutional needs for a proper balancing of the public health interests on the one hand and the rights holders interests on the other hand. In other words, it may be argued that plain packaging law were only in line with Basic constitutional law, if a financial compensation for tobacco trademark owners would be paid (regardless of the expropriation-issue).

- (i.) Legal writers in Germany often assume or speak from “de facto expropriation”. There are in deed some good reasons to argue that plain packaging obligations have to be considered as a “de facto expropriation” (see as to the narrow term of “expropriation” within the meaning of Art. 14 of the German constitution here below under (ii)). The owner of a trade mark is prevented from using its

(figurative) mark on the product or the packaging of the product. Further, the restraints in relation to advertising of tobacco products which are already in place in Europe (for example Regulation (EC) No 37/2001 and Regulation (EC) 33/2003) need to be taken into account. In view of this very high degree of regulation, there is merely no possibility for the trade mark holder (i.e. the tobacco industry) to display its marks in relation to the goods or service the marks are registered for (cf. recently *Schroeder*, “Plain Packaging und EU-Grundrechte”, *Zeitschrift für Lebensmittelrecht*, 2012, page 405, 416).

The consequence would be that the trade marks could no more be put to genuine use in connection with the goods or services in respect of which it is registered as required by Art. 15 CTMR, and, finally, be subject to cancellation for non-use. The proprietor of the mark would then lose all rights derived from the mark and its registration.

The exemption that marks shall not be revoked if there are “proper reasons for non-use” might not apply. The *ratio* of this exemption is that a mark shall not be subject to cancellation if there are good reasons why it has not been used temporarily (like, for example, *force majeure*, or import or export bans). Thus, it is highly questionable whether perpetual bans could still be considered as “proper reasons for non-use” because this would lead to a situation where trademarks remain registered for the future which can never be used again. Thus, better reasons lead to the conclusion that tobacco trademarks might often become cancellable for non-use (cf. *Sosnitza*, “Plain Packaging und Markenrecht”, *MarkenR - Zeitschrift für deutsches, europäisches und internationales Kennzeichenrecht*, 2011, page 485, 490).

Irrespective of the application of the exemption in case of proper reasons for non-use, the trade mark holder would, at best, have a

formal right in a trademark. This could be cancelled by third parties and non-use is a defence in infringement proceedings. Very precious trade marks could in future no longer be enforced but would be vulnerable for cancellation due to non-use (after five years of non-use).

In sum, the prohibition of brand packaging results in a significant loss of the value of tobacco trade mark rights (protected under the Charter and the Grundgesetz as basic rights).

- (ii.) However, an expropriation within the meaning of Art. 14 Grundgesetz can not be assumed. According to the case law of the German Federal Constitutional Court (*Bundesverfassungsgericht*), the definition of what is to be considered an expropriation has been recently limited. Expropriation is the “*complete or partial deprivation of specific subjective property within the meaning of Art. 14 (1) (1) Grundgesetz to satisfy certain public functions*” (Federal Constitutional Court, NJW 1986, 2188, 2189). The property in the tobacco trade marks is not used to fulfill a specific public function. Thus, the effects of a statutory act introducing plain packaging on the property in tobacco trade marks do not constitute an expropriation within the meaning of Art. 14 Grundgesetz (*Jarass, New Dimensions of Tobacco Regulation and Fundamental Rights and Freedoms*, 2012, pages 133). Consequently, implementing plain packaging would have to be considered as a determination of content and limits of property within the meaning of Art. 14 (1) (2) Grundgesetz (cf. *Jarass, New Dimensions of Tobacco Regulation and Fundamental Rights and Freedoms*, 2012, pages 133 and 68), although its effect could (finally) be the loss of the rights in a trade mark. Therefore, no compensation under Art. 14 (3) (3) Grundgesetz could be requested.
- (iii) However, regardless of the character as an expropriation pursuant to Art. 14 (3)(3) Grundgesetz, it must be stressed that the law on plain

packaging might only be proportionate, if at all, if there were final compensations paid to tobacco trade mark owners (see above Question 8, at the end).

(d) If compensation is available, how is it calculated?

It is rather unlikely that compensation would be available in Germany (see above, Question 15 (c)). If it would be granted, the amount of the compensation would have to be fixed by the law providing for the expropriation (junctim-clause, Art. 14 (3) Grundgesetz) considering and balancing the public interests and the interests of the concerned rights holders. However, as outlined above, in exceptional cases, assuming a restriction (but not an expropriation), a financial compensation must be foreseen; otherwise the statutory act prohibiting brand packaging would be anti-constitutional (see, for instance, question 8 at the end). In this case the financial compensation would have to compensate the loss of the value of tobacco trade marks as a consequence of the implementation of plain packaging. These might be huge sums, given the actual value of well-known tobacco trade marks.

(e) Does a trade mark rights holder affected by Restriction/Expropriation have any other claims or remedies against the state? If yes, please explain the basis and nature of any claims or remedies.

No, the rights holder could not directly challenge the validity and effectiveness of the laws implementing plain packaging based on a violation of its rights in intellectual property and the corresponding basic rights, for instance the right to property. The German constitution offers the possibility for courts which consider a statutory act as being in breach of the constitution (Grundgesetz), for instance the right to property, to stay its court proceedings and to refer the question of the breach of the constitution to the Federal Constitutional Court. Thus, the right owner could not challenge the statutory act itself, but administrative acts based upon the statutory provisions implementing plain packaging. For instance, if the trade

mark owner was fined for not introducing plain packaging in time, the trade mark owner might go to court. The court would refer the question of the validity of the statutory act introducing plain packaging to the Federal Constitutional Court. However, the legal situation appears rather difficult given that the introduction of plain packaging, if at all, will be based on EU-law (most likely a regulation, thus, the Charter appears to be decisive and the European Court would have to decide if there were an infringement of basic rights under the Charter (such as the right to property).

(f) In the event of Restriction/Expropriation, could a trade mark remain registered?

As explained above (Question 4 and Question 15 (c) (i.)) a trade mark which is not put to genuine use can be subject to cancellation for non-use (proceedings under Art. 51 CTMR, Sec. 49 MarkenG). Formally, it could nevertheless remain registered, because the Office could only cancel or revoke a registered trade mark on application by a third party. There is no ex officio cancellation for non-use.

(g) If yes, what is the consequence of any Restriction/Expropriation on a well known trade mark that was registered prior to the Restriction/Expropriation?

The effects for well-known marks which are registered, are the same as those for other registered marks, i.e. in case the mark is not used for more than five years, it can be subject to cancellation.

In case of non-registered well-known trade marks (which enjoy the same protection as registered marks, See Question 3), the situation is different: as soon as the sign loses its well-known status (as a consequence of non-use), the rights in that mark expire (cf. *Ströbele/Hacker*, Markengesetz, 10th Ed., 2012, Sec. 4, marg. No. 66).

16) If there is presently no legal framework in your country permitting Restriction/Expropriation, please answer the following questions in relation to both registered trade marks and unregistered trade marks (if your country recognizes/protects the latter).

(a) What legislative changes would be necessary in your country to implement a plain packaging regime for a specific class or classes of products such as those previously mentioned? For example, amendments to existing domestic trade mark legislation, changes to your country's constitution, multilateral or supranational treaty obligations.

(b) Could a plain packaging regime be implemented in your country without providing compensation to affected trade mark rights holders? If no, what type of rights holders would be entitled to or eligible for compensation? If yes, why would no compensation be payable?

(c) Would a trade mark rights holder affected by Restriction/Expropriation have any other claims or remedies against the state? If yes, please explain the basis and nature of any claims or remedies.

Not applicable.