



European Communities Trade Mark Association

21 May 2015

## **ECTA Executive Summary<sup>1</sup> - Paper on Intellectual Property issues arising from proposals by EU Member States for 'plain packaging' legislation**

### **Introduction**

The European Communities Trade Mark Association ('ECTA') has been following the developments on legislative proposals for 'plain packaging' and has previously expressed serious concerns about the effects of such proposals or laws on trade mark rights.

The term '*trade mark*' is broad, covering not only brand names but also logos, letters, numerals, pack designs, and combinations of all these. The purpose of a trade mark, as is universally accepted, is to function as an indication of the trade origin of a product, so as to enable consumers to recognise products as those coming from a particular trade source and so as to distinguish such products from those of other undertakings.

'Plain' packaging means, for tobacco products, that such products would no longer be permitted to bear any trade marks at all, save for the name of the 'brand', which would be required to be represented in very small letters in a prescribed colour and font.

ECTA wishes to take this opportunity to demonstrate, once more, why plain packaging laws restrict the legitimate use of trade marks.

### **(a) Trade marks as objects of property:**

It is beyond dispute that registered trade marks, internationally and specifically in the EU, are objects of property. In the EU, the Community Trade Mark Regulation ('CTMR') Regulation 207/2009, Title II, Section 4, contains specific provision to that effect. Additionally, in the EU, property rights are protected under the European Convention on Human Rights ('ECHR'), Protocol 1, art 1, and also by art 17 of the Charter of Fundamental Rights of the European Union (which Charter is specifically mentioned in recital (59) of the TPD).

Trade marks are of very great value to their proprietors, who expend considerable amounts of money in developing and protecting their brands in the market. This applies to tobacco companies as much as to other companies.

A fundamental aspect of the ownership of a trade mark or any other property right is a right to use the property, which, for instance, the proposed UK Regulations would remove. This would mean that if trade marks cannot be used, then trade marks cannot meet their essential function in the market place as trade source identifiers, and they are rendered meaningless.

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<sup>1</sup> For additional information please see Annex I starting at page 3.



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Plain packaging laws also deprive the affected trade marks of all their other accepted functions, such as guaranteeing to consumers the quality of the goods or services in question, and those of communication and investment.

**(b) Relevant International treaties**

Other international treaties have important relevance to the proposed legislation:

**The Paris Convention:** An important provision of the Paris Convention is art 7, which provides that the nature of the goods to which a trade mark is to be applied shall in no case form an obstacle to the registration of the trade mark.

**TRIPS:** In the context of this Paper, art 20 of TRIPS is of crucial importance. It provides as follows: “*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 provision reasserts the essential function of a trade mark, mentioned above.

**The TBT:** This Agreement contains, in art 2.2, a provision requiring Members to “*ensure that technical regulations are not prepared, adopted or supplied with a view to or with the effect of creating unnecessary obstacles to international trade*”. It is submitted that plain packaging laws, if enacted, will amount to ‘technical regulations’ and that they are clearly obstacles to international trade, in that they would prevent tobacco products lawfully made and packaged in other countries (including other Member States of the EU), from entering any countries where plain packaging requirements were imposed.

**Conclusion**

Taking into consideration all the previous statements, and including previous expressions of concern by ECTA and other organisations, ECTA calls upon the European Commission and the EU Member States to reject proposed laws that would impose plain packaging requirements for tobacco products.

## **ANNEX I**

### **ECTA – complete version - Paper on Intellectual Property issues arising from proposals by EU Member States for ‘plain packaging’ legislation**

#### **1. Introduction**

This Paper, submitted by the European Communities Trade Mark Association (‘ECTA’), relates to legislation which is proposed or contemplated by a number of Member States of the European Union (also, it is understood, in some EEA members), to introduce requirements for ‘plain packaging’ (sometimes called ‘standardized packaging’) for tobacco products. Such proposals, by the governments of Ireland and the United Kingdom, have already been notified to the Commission under Art 24(2) of Directive 2014/40/EU of the European Parliament and of the Council of 3 April 2014 (‘the TPD’).

‘Plain’ (or, as it has now been called in some countries, ‘standardised’) packaging means, for tobacco products in particular, that such products would no longer be permitted to bear any trade marks at all, save for the name of the ‘brand’, which would be required to be represented in very small letters in a prescribed colour and font. This, in substance, would be the effect of the proposed legislation in Ireland and the UK (which would apply in particular to cigarettes and ‘roll you own’ products), if the proposals became law. The term ‘*trade mark*’ is broad, covering not only brand names but also logos, letters, numerals, pack designs, and combinations of all these. The purpose of a trade mark, as is universally accepted, is to function as an indication of the trade origin of a product, so as to enable consumers to recognise products as those coming from a particular trade source and so as to distinguish such products from those of other undertakings.

ECTA has been following the developments on legislative proposals for ‘plain packaging’ and has previously expressed serious concerns about the effects of such proposals or laws on trade mark rights. On several occasions, ECTA, and other organisations with similar interest in trade marks and other intellectual property rights, have made general statements strongly objecting to plain/standardized packaging laws. Some such papers can be found at: <http://www.ecta.org/position-papers/>.

#### **2. Background**

Australia has already introduced and implemented a plain packaging law, which came into effect in December 2012. This law remains the subject of pending challenges, by five countries, before the WTO, based primarily on certain international treaty provisions which are mentioned in this Paper. Ireland has already passed a similar law, though this is not expected to come into force in the immediate future. Most



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recently, the UK Parliament has, on 11 March 2015, approved regulations which, if also passed by the House of Lords, are expected to come into force in 2016.

It is also important to take notice of the fact that, during the process of adoption of the revised Tobacco Products Directive, the 'TPD', attempts in the European Parliament to include mandatory plain packaging provisions were rejected. Although the introduction of such measures remains an option for EU Member States, under certain strict requirements (in accordance with TPD art 24.2), the validity of such measure may be open to objection in the context of EU law and (see TPD recital 53) WTO obligations.

ECTA wishes to take this opportunity to focus once more on some important aspects, in order to demonstrate why plain packaging laws restrict the legitimate use of trade marks (by deprivation of property) and may also be barriers to the principles of the internal market.

#### **(a) Trade marks as objects of property**

It is beyond dispute that registered trade marks, internationally and specifically in the EU, are objects of property. In the EU, the Community Trade Mark Regulation ('CTMR') Regulation 207/2009, Title II, Section 4, contains specific provision to that effect. Although the Harmonization Directive, 2008/95/EC does not contain such specific provisions, it contains provisions (e.g., for licensing) which are only compatible with the proposition that **registered trade marks are rights of property**. For example, the current UK law, the Trade Marks Act 1994, contains express provisions (in sections 2(2) and 22) to that effect. The proposed recast Trade Mark Harmonization Directive, as presently drafted, is expected to contain provisions essentially the same as those in the CTMR.

Many trade marks also enjoy protection under the laws of passing off or unfair competition. This protection, which exists under Irish and UK laws, is based on the principle of goodwill in a business generated by the use of a trade mark. Such **goodwill is recognised as property**.

Trade marks are of very great value to their proprietors, who expend considerable amounts of money (including payments to the state for registration and renewal) in developing their brands in the market and in protecting their brands. This applies to tobacco companies as much as to other companies.

In the EU, property rights are protected under the European Convention on Human Rights ('ECHR'), Protocol 1, art 1, and also by art 17 of the Charter of Fundamental Rights of the European Union (which Charter is specifically mentioned in recital (59) of the TPD). Art 17(2) provides expressly that intellectual property shall be protected. It is relevant to note that in the case of the plain packaging law in Australia, the High Court accepted that there was a deprivation of property. Although the above provisions are subject to possible exceptions in the public or general interest, such interest must be clearly established, and the question of monetary compensation - which could be very considerable - would arise.

A fundamental aspect of the ownership of a trade mark or any other property right is a right to use the property. In the EU (among most if not all countries) in the case of registered trade marks there is a specific obligation to use them. This is so under the CTMR for Community Trade Marks (CTMs), and under the Harmonization Directive for national and regional trade marks. After a period of several years without a registered trade mark being put to genuine use, the registration is liable to be revoked. Although at least some of the proposals for plain packaging the draft UK Regulations (r 16) are expected to remove any liability to revocation that would otherwise exist through compliance with the proposed plain packaging laws, that does not in any way affect the fundamental principle of a right to use a trade mark, which the proposed UK Regulations would remove. The Court of Justice of the European Union ('CJEU') has in its jurisprudence focussed on trade marks as functional rights. If trade marks cannot meet their essential function in the market place as trade source identifiers, they are rendered meaningless. Trade marks that cannot be used cannot function as source identifiers. Plain packaging laws deprive the affected trade marks of all their other accepted functions, such as guaranteeing to consumers the quality of the goods or services in question, and those of communication and investment. It should also be said that plain packaging laws would negate the right to freedom of expression, guaranteed by ECHR article 10 and by the EU Charter of Fundamental Rights, article 11.

In determining whether there is a deprivation (as opposed to what is called 'control of use'), the European Court of Human Rights has asked whether meaningful use of the property is still possible under the measure. Trade marks are property rights and property rights that exist "only on paper" and cannot be used are meaningless and worthless. 'Preservation' of registered trade mark rights as has for example been suggested by the proposed UK legislation does not convert deprivation into a mere 'control of use'. Similarly, the right to register trade marks (and keep them on the register even after several years of non-use) does not convert the deprivation, which such laws would involve, into a control of use. Registered rights without the possibility to use them are counterproductive. Indeed, all meaningful use is prohibited by plain packaging laws, such as have been proposed in Ireland and the UK. The concept of permitting 'registration without use' is contrary to the fundamental principle of trade mark law, recognised for more than a hundred years, that the privilege conferred by registration of a trade mark is lost if the mark is not used over a specified period of years.

## **(b) Free movement of goods in the EU and the unitary nature of the Community Trade Mark**

Article 24.2 of the TPD provides that measures, such as the one proposed by the UK, shall be notified to the Commission. The heading of art 24 serves to emphasise the importance of the principle of free movement of goods between Member States of the EU. It is a fundamental objection to the proposed laws that there would indeed be a resulting restriction of free movement of goods between Member States, unless the requirements imposed by such laws applied in all Member States. As noted, a proposal to include plain packaging requirements in the TPD was rejected by the European Parliament.

The CTMR is an internal market instrument and the internal market is achieved through the 'unitary character' of the CTM - see Recitals 2 and 3 of the CTMR. Plain packaging laws would contravene the unitary nature of a CTM, in breach of Article 1(2) CTMR, as the large majority of CTMs registered by tobacco companies for their products would (in the absence of such laws in all Member States) no longer have equal effect throughout the EU. Art 1(2) expressly provides that the use of a CTM shall not be prohibited, *save in respect of the whole Community*. Thus the unitary character of a CTM confers on proprietors the right to use such trade marks in all parts of the EU.

The unitary principle of art 1(2) applies unless otherwise provided in the CTMR. Standardized packaging measures could not fall within the exception contained in Article 110(2) of the CTM. This provision is restricted to claims by third parties to prevent use of CTMs on the basis of their earlier rights.

The CJEU has emphasised the importance of the CTM for the free movement of goods:

*"As regards the objectives pursued by Regulation No 207/2009, if recitals 2, 4 and 6 thereto are read together, it is apparent that the regulation seeks to remove the barrier of territoriality of the rights conferred on proprietors of trade marks by the laws of the Member States by enabling undertakings to adapt their activities to the scale of the Community and carry them out without restriction. The Community trade mark thus enables its proprietor to distinguish his goods and services by identical means throughout the entire Community, regardless of frontiers."*<sup>2</sup>

By hindering the unitary character of the CTM, such plain packaging laws as have been proposed would endanger the CTMR's internal market objective and Article 34 TFEU.

### **(c) Relevant International treaties**

The provisions of the ECHR, the EU Charter of Fundamental Rights and EU trade mark laws have already been mentioned in the previous paragraphs. Other international treaties have important relevance to the proposed legislation. These are the Paris Convention for the Protection of Industrial Property of 1883, as subsequently amended, ('the Paris Convention'), the Agreement on Trade-Related Aspects of Intellectual Property ('TRIPS') and the Technical Barriers to Trade Agreement ('TBT').

#### **The Paris Convention**

An important provision of the Paris Convention is art 7, which provides that the nature of the goods to which a trade mark is to be applied shall in no case form an obstacle to the registration of the trade mark. This provision, which is repeated in TRIPS, art

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<sup>2</sup> Case C-149/11 Leno Merken BV v Hagelkruis Beheer BV [2012], at [40].

15.4, emphasises that there should be no discrimination against trade marks protected and to be used for lawful products.

## **TRIPS**

In the context of this Paper, art 20 of TRIPS is of crucial importance when considering the legality of proposals for plain packaging for tobacco products. It provides as follows: “*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 provision reasserts the essential function of a trade mark, mentioned above. Plain packaging requirements would prohibit any use at all of the trade marks affected for the purpose of informing consumers in any meaningful way of the trade source of the products. Indeed, the end consumer, to whom the trade marks are intended to benefit, must be able to identify the goods. See for example the CJEU’s recent judgment in *Kornspitz*, C-409/12, in particular paras 29-30. A number of other rulings of the CJEU have emphasised the importance of the appreciation of the average consumer.

## **The TBT**

This Agreement, which is relied upon by countries which have filed complaints with the WTO against the Australian plain packaging law, contains, in art 2.2, a provision requiring Members to “*ensure that technical regulations are not prepared, adopted or supplied with a view to or with the effect of creating unnecessary obstacles to international trade*”. It is submitted that plain packaging laws, if enacted, will amount to ‘technical regulations’ and that they are clearly obstacles to international trade, in that they would prevent tobacco products lawfully made and packaged in other countries (including other Member States of the EU), from entering any countries where plain packaging requirements were imposed.

### **3. The position of EEA countries**

This Paper does not aim to analyse the position in EEA countries in detail. They are, it is thought, members of the ECHR, the Paris Convention and the WTO. The CTMR does not apply in EEA countries, although the principle of exhaustion of IP rights is applicable. It is also understood that the trade mark laws of EEA countries treat registered trade marks as objects of property. Accordingly many, though not necessarily all, of the legal objections to plain packaging legislation outlined in this Paper, apply to those countries.

### **4. Conclusion**

Taking into consideration all these matters, including previous expressions of concern by ECTA and other organisations, ECTA calls upon the European Commission and the EU and EEA Member States to reject proposed laws that would impose plain packaging requirements for tobacco products.



ECTA, which was formed in 1980, is an organisation concerned primarily with trade marks and designs. ECTA has approximately 1,500 members, coming from all the Member States of the EU, with associate Members from more than 50 other countries throughout the world. ECTA brings together those practising in the field of IP, in particular trade marks, designs and related matters. These professionals are lawyers, trade mark and patent attorneys, in-house lawyers concerned with IP matters, and other specialists in these fields. ECTA does not have any direct or indirect links to, and is not funded by, any section of the tobacco industry.

The extensive work carried out by the Association, following the above guidelines, combined with the high degree of professionalism and recognised technical capabilities of its members, has established ECTA at the highest level and has allowed the Association to achieve the status of a recognised expert spokesman on all questions related to the protection and use of trade marks, designs and domain names in and throughout the European Union, and for example, in the following areas :

- Harmonization of the national laws of the EU member countries;
- Community Trade Mark Regulation and Directive;
- Community Design Regulation and Directive;
- Organisation and practice of the OHIM.

In addition to having close links with the European Commission and the Office for Harmonization in the Internal Market (Trade Marks and Designs) (OHIM), ECTA is recognised by WIPO as a non-Government Organisation (NGO).

ECTA does also take into consideration all questions arising from the new framework affecting trade marks, including the globalization of markets, the explosion of the Internet and the changes in the world economy.