



European Communities Trade Mark Association

Brussels, 9 January 2013

ECTA Comments on the Public Consultation by the Department of Health of the Republic of Ireland on a proposal for an EU Directive on Tobacco Products ('TPD')

1. Introduction

1.1 This response to the Consultation by the Irish Department of Health is submitted by the European Communities Trade Mark Association ('ECTA') of Rue des Colonies 18/24, 9th Floor, Brussels, Belgium.

1.2 ECTA is a non-profit organisation whose membership comprises lawyers and attorneys practising in the fields of trade marks and designs in the European Union. ECTA does not have any links to, or receive any funding from, any part of the tobacco industry.

1.3 Although this Consultation is by the Government of Ireland, the TPD and the issues raised in this response are of very much wider implication. In particular, because those issues concern trade marks and other related rights, some of the provisions of the international treaties, to which we refer, apply to the EU directly as well as being applicable in all the EU Member States. Furthermore, the trade mark laws of the EU Member States, being subject to a Harmonisation Directive, are for most practical purposes the same, and in the case of the Community Trade Mark ('CTM') regime established by a Council Regulation, a single trade mark registration has unitary effect throughout the EU.

2. The concerns raised by the proposed TPD

2.1 The principal concerns raised by the EU proposals arise because of the impact of those proposals on trade mark rights, and on related rights such as are protected in the UK and Ireland, by the laws of passing off, and elsewhere by unfair competition laws. There are other subsidiary concerns, in particular about the impact that the proposals could have in other areas, such as the counterfeiting of tobacco products and the trade in counterfeit and contraband tobacco products.

2.2 Before referring in detail to the relevant trade mark laws and treaty provisions, we would draw attention to the nature of the EU proposals that would affect cigarette packaging. The following aspects of the proposals need to be mentioned (references are to articles in the proposed Directive):

(a) Article 8 provides that each unit packet and any outside packaging of tobacco for smoking shall carry a "general warning", and also a specified information message, on the lateral sides; both of these must cover 50% of the surface on which they are printed;

(b) Article 9 provides, in addition to the above, for mandatory “Combined health warnings for tobacco for smoking”, to cover 75% of the external area of both the front and back surface of the unit packet and any outside packaging;

(c) It is to be noted that under Article 7.3, health warnings “shall be in no way hidden or interrupted, including by tax stamps, price marks, tracking and tracing marks, security features”. This inclusion of tracking and tracing marks, and security features, may be of particular significance because of the additional proposed requirements (in Article 14) for “traceability and security features”. Such information, which could be quite detailed, might be additional to the 50% general warning and information message and the 75% health warnings, proposed in Articles 7 and 8 respectively;

(d) In addition, (see para 3.2 of the Explanatory Memorandum, and Articles 9(1)(g) and 12) the proposal also includes other requirements for packages, such as cuboid shapes and minimum numbers of cigarettes per package, and fixed dimensions for packets of cigarettes;

(e) A separate factor, referred to in recitals (40) and (41), is the freedom left to Member States to “maintain more stringent national provisions for aspects falling inside the scope of this Directive”, and to “maintain or introduce provisions providing standardisation of packaging of tobacco products”. The latter have recently been the subject of a Consultation by the UK Government, to which ECTA responded in July 2012.

3. Trade mark rights and the relevant legal provisions

3.1 Trade marks are protected throughout the EU, under specific laws enacted for that purpose. In the Irish Republic, the protection is provided by the Trade Marks Act 1996, which implements the provisions of the Harmonisation Directive (originally Council Directive 89/104, now replaced by Directive 2008/95 in essentially the same terms). The UK Trade Marks Act 1994 is for practical purposes, at least so far as is relevant to the matters under consideration, the same as the Irish Act.

3.2 In addition to the protection provided at national or regional level under the Harmonisation Directive, EU law provides for the protection of Community Trade Marks (CTMs) through a unitary right applicable throughout the EU and obtained by registration under the CTM Regulation (originally Council Regulation 40/94, now replaced by Council Regulation 207/2009, which for present purposes may be regarded as having the same effect).

3.3 Registered trade marks are universally recognised throughout the EU as rights of property. Although the Harmonisation Directive does not say so in express terms, the Irish Act (ss 7 and 26) and the UK Act (ss 2 and 22) contain specific provisions to that effect, and also incorporate the usual provisions governing registered trade marks as objects of property. In the case of CTMs the Regulation recognises these as objects of property, and accordingly contains express provisions (Articles 16 to 24) under the heading “Community Trade Marks as Objects of Property”, which also recognise applications for registration as objects of property.

3.4 In Ireland, as in the UK, unregistered trade marks may also be protected, under laws relating to passing off. The action for passing off has been developed by the courts over a very long time, to protect the goodwill in a business against damage caused by

misrepresentation by another trader, to the effect that his goods or services are those of, or are connected with, the owner of the business concerned. Typically, such an action may be available where a trader uses, in his business, a trade mark or trade name that is identical or similar to that used in the business of another trader, even where such mark or name is not registered as a trade mark. The goodwill in a business is universally recognised as a property right of the business.

3.5 It is universally accepted that registered trade marks, and goodwill of businesses in which trade marks are used, have very great value for their proprietors, built up over periods of many years, and representing a considerable investment. The tobacco industry is no exception.

4. The relevant treaty provisions

Fundamental and Human Rights

4.1 The Commission proposal (paragraph 3.9.4) refers to the EU Charter of Fundamental Rights, including the freedom of expression and information (Article 11), freedom of economic operators to conduct business (Article 16) and the right to property (Article 17), and concedes that these are affected by the proposal. Article 17 merits particular attention. In addition to guaranteeing the right to lawfully acquired possessions, paragraph 2 states that “intellectual property shall be protected”. In its context this is a clear recognition of intellectual property rights as ‘property’.

4.2 Reference may also be made to Article 1 of Protocol No 1 of the European Convention on Human Rights, which provides that every natural or legal person is entitled to the peaceful enjoyment of his possessions, and that no-one shall be deprived of his possessions except in the public interest and subject to the conditions provided for by law and by the general principles of international law.

4.3 In interpreting these provisions, it is submitted that any general or public interest relied upon by governments or legislative bodies must be proved by sufficient evidence. A mere theoretical ‘interest’ should not be regarded as sufficient to override rights of property.

4.4 Specifically with reference to trade mark rights, the European Court of Human Rights has held, in the case of *Anheuser-Busch v Portugal* ([2007] European Trade Mark Reports), that Article 1 of the First Protocol applies to intellectual property rights, including trade marks and that an application to register a trade mark (*a fortiori* a registration of a trade mark) is a right of property protected by Article 1. This ruling is of course consistent with the specific provisions of trade mark laws in the EU, referred to in paragraph 3 above.

Treaties concerned specifically with intellectual property rights

4.5 The earliest international treaty for the protection of intellectual (previously ‘industrial’) property rights is the ‘Paris Convention’ - the Paris Convention for the Protection of Industrial Property of March 20, 1883, as subsequently amended. In particular, Article 7 provides that 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”. Accordingly a trade mark cannot lawfully be denied the protection of registration on the basis of the nature of the product for which it is used or to be used.



European Communities Trade Mark Association

4.6 The EU is party to the Agreement on Trade-Related Aspects of Intellectual Property Rights (Annex 1C of the Marrakesh Agreement Establishing the World Trade Organisation), known as 'TRIPS', which reaffirms (in Article 2.1) the obligation of Members to comply with Articles 1-12 of the Paris Convention, and furthermore (in Article 15.4) repeats Article 7 of that Convention. The TRIPS Agreement contains several other provisions which are of particular relevance to the EU proposals for tobacco products.

4.7 Article 8.1 of TRIPS provides as follows (with emphasis added):

"Members may, in formulating or amending their laws and regulations, adopt measures necessary to protect public health and nutrition *provided that such measures are consistent with the provisions of this Agreement.*"

The italicised words are of particular importance. Any proposals put forward on public health grounds must not be inconsistent with any of the other TRIPS provisions, including those which are specifically concerned to maintain the protection of validly acquired intellectual property rights.

4.8 Such provisions include not only Article 15.4, repeating Article 7 of the Paris Convention, but also Article 20 ('Other Requirements'), which 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."

4.9 Article 20 is of particular importance when considering whether the EU proposals are justifiable, because the capability of a trade mark to distinguish the proprietor's goods or services from those of other traders is the essential *raison d'être* of a trade mark. If use of any trade mark, at least for a lawful product, is prohibited, or if it made ineffective for the purpose of distinguishing the proprietor's goods or service by reasons of requirements which lead to its total or substantial obliteration, then there would be a breach of Article 20, which could not be justified under Article 8.1. Furthermore the general prohibition against use being "encumbered by special requirements" would also be breached by the EU proposals.

5. Conclusions

5.1 Tobacco companies like other businesses, use and register a large number of trade marks, for the purpose of preventing infringement by other traders, which would be damaging to their businesses and could have the effect of denying the right of consumers to select and acquire the products that they want. Such trade marks include not only 'brand names' (usually comprising a word or words, in some cases numerals, or a combination of words and numerals, sometimes in plain letters and numbers, but often in stylised forms or letters and numbers) but also logos and other insignia, and representations of the whole or of one or more faces of the packets containing the products. All such marks must, in order to be granted registration, be capable of distinguishing the products concerned from those of other traders. Even where a mark is not registered, its use is a factor in the creation of goodwill, protected for example in Ireland and the UK, under the laws of passing off mentioned above.

5.2 The proposals contained in Articles 7 to 9 of the EU draft Directive are unclear in some respects. But what is clearly stated is that the 'combined health warnings' must cover 75% of the external area of both the front and back surfaces of the packets. There is a further point here, which can be better understood by referring to the slides used by Commissioner Borg (DG SANCO) in his presentation at the media conference on 19 December 2012

(http://ec.europa.eu/health/tobacco/docs/com_2012_788_presentation_en.pdf).

Slide 4 shows a 'mock up' pack embodying the proposals. Many cigarette packs have specific and well-known trade mark features on the top. The requirement of Article 9.1(e), for the combined warnings to be positioned at the top edge of the unit packet, would have the practical effect of prohibiting any use of figurative trade marks which could not be used on the spaces left at the bottom.

5.3 In addition, the 'general warning' and 'information message' must, according to Article 8.3, cover 50% of the surface on each of the lateral sides of the packets. The final sentence of Article 8.3 is unclear: it could be understood as requiring both the 'general warning' and the 'information message' to cover 50% of each of the lateral sides of the packets. The combination of text warnings (Article 8) and combined health warnings (Article 9) make the space for any 'trade marks' on the front and back surfaces, and on the lateral sides of the pack, extremely reduced. A separate point is that Article 9.1(d) says that "the same text warning and colour photographs" – as required by Article 8(a) – must be shown on "*both sides*" (emphasis added) of the packets which, taken literally, might seem to have the effect that the space left on the sides for any 'trade marks' would be still further reduced. It is understood that the French version of the proposed Article 9.1(d) uses the word 'face', thus avoiding any such lack of clarity in this respect.

5.4 An additional factor is the provision, in Article 7.3, prohibiting any hiding or interruption of health warnings by other matter, such as tax stamps, price marks, tracking and tracing marks (required by Article 14). The effect of this would be to reduce still further the space available for trade mark matter.

5.5 It is submitted that the overall effect of what is proposed by Articles 7 to 14 (whether or not combined with the other aspects mentioned in paragraph 2.2(d) above), amounts to an 'unjustifiable encumbrance' generally on the use of trade marks, and in particular would (unjustifiably) amount to a 'special requirement' of use in a manner 'detrimental to [the trade marks] capability to distinguish', and thus would be a breach of Article 20 of TRIPS. The introduction of 'plain packing' requirements, contemplated in recital (41) of the draft Directive, would be an additional encumbrance.

5.6 The proposals would also contravene the provisions of the ECHR and the EU Charter, protecting property rights, because without the possibility of using the tobacco companies' trade marks effectively, the registrations of those marks would have little or no real value because the property rights that they are could not be enjoyed in any real sense. There would also be a breach of Article 16 of the EU Charter.

5.7 In this response ECTA has not addressed the public/general interest aspects, such as the Commission and governments might seek to invoke as justifying these proposed encroachments on intellectual property rights. However it is in any event for the Commission and governments to justify, by cogent evidence, any claim that the measures proposed would have any meaningful effect in preventing people from taking up smoking, or continuing to smoke, over and above any effects achieved through the 2001 Tobacco Products



European Communities Trade Mark Association

Directive. Even if such cogent evidence were available, the Commission cannot rely upon Article 8.1 of TRIPS if their proposals would involve a breach of Article 20.

5.8 Another aspect which must be considered is the risk that the EU proposals may involve, of creating an increase in the already significant prevalence of trade in the EU, in counterfeit and contraband cigarettes. Concern in this respect has been expressed by many organisations, including the police and other enforcement agencies. It has not been shown that the proposals in Article 14 of the Draft Directive would reduce or prevent the increase of such illegal activity. It seems more likely, with the increased availability of cheap printing materials and methods, and with the removal of almost all trade mark matter from cigarette packets, that counterfeiting and dealing in illicit tobacco products, would be significantly facilitated. A final point, which should be considered in the context of the 'unfair competition' provisions of Articles 10 *bis* and 10 *ter* of the Paris Convention, is that there would be a very real danger that tobacco companies would face an increase in activities amounting to unfair competition within those provisions.

5.9 Mention has already been made of ECTA's response of July 2012 to the UK Government's Consultation on 'standardised packaging' for tobacco products. There are attached, for reference, copies of that response and also of other papers previously submitted by ECTA on the subject of tobacco packaging.