



European Communities Trade Mark Association

Brussels, 15 January 2014

Joint Oireachtas Committee on Health and Children. Pre-Legislative Scrutiny of proposed law for ‘standardised’ or plain packaging for cigarettes – ECTA Comments

1. INTRODUCTION

1.1 This submission for the consideration of the Joint Committee is presented 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 in particular lawyers and attorneys practising in the fields of trade marks and designs in the European Union. ECTA’s members, who include members from more than 60 countries from outside the EU, have a wide range of experience and expertise in these fields of the law. In addition to having close links with the European Commission and OHIM (the Office for Harmonization in the Internal Market, ECTA is recognised by WIPO (the World Intellectual Property Organization) as a non-governmental organisation.

1.3 In the interest of transparency, ECTA declares that a very few of its members are employed in-house lawyers and attorneys in the tobacco industry, among the considerable range of industries represented in the ECTA membership. To this extent only, it can be said that ECTA, through these subscriptions, receives funding from the tobacco industry. Subject to this, ECTA does not have any links to, or receive any funding from, any part of the tobacco industry. The views of ECTA as an international organisation, embodied in this submission, are independent.

1.4 ECTA has previously submitted a response to the Department of Health of the Republic of Ireland in respect of its Public Consultation on the proposal for an EU Directive on Tobacco Products (‘TPD’). A copy of that response, dated 9 January 2013, is attached to this submission as Annex ‘A’.

1.5 The TPD was, and in its current form remains, principally concerned with requirements for enlarged ‘health warnings’ on packaging for tobacco products, although it also contains provisions that would allow Member States to introduce other requirements, in particular what has become known as ‘plain packaging’ or ‘standardised packaging’ for cigarettes and other tobacco products. In essence, such requirements prohibit the use on packaging of any trade marks, including logos and designs, other than an identification of the brand in small standardised lettering.

1.6 ECTA notes that several attempts to amend the TPD to include specific standardised packaging requirements have been rejected by the European Parliament. As appears from Annex 'A', some of the issues addressed in this evidence arise also in relation to enlarged health warnings. ECTA however wishes to emphasise that this submission is directed solely to the proposals for plain packaging, currently under consideration by the Government of Ireland.

1.7 References in this submission to a 'Head' are references to the Heads set out in the General Scheme of the Public Health (Standardised Packaging of Tobacco) Bill 2013 pending before the Irish Parliament.

2. EXECUTIVE SUMMARY

History concerning plain packaging

2.1 As is now well-known, the first laws (and at present the only laws) requiring plain packaging for tobacco products are those passed by the Australian Parliament, which came into effect on the 1st December 2012. Those laws are the Australian Tobacco Plain Packaging Act 2011 and its implementing Regulations, and the Trade Marks (Amendment) (Tobacco Plain Packaging) Act 2011.

2.2 Although a challenge to the Australian law, by tobacco companies, was rejected by the Australian High Court, that law remains the subject of outstanding challenges before the WTO, arising from complaints made by Ukraine (DS434), Honduras (DS435), the Dominican Republic (DS441), Cuba (DS 458) and Indonesia (DS 467). These disputes are in particular concerned with certain provisions of the Agreement on Trade-Related Aspects of Intellectual Property Rights (Annex 1C of the Marrakesh Agreement Establishing the World Trade Organisation), known as 'TRIPS', and also some provisions of the Technical Barriers to Trade ('TBT') Agreement. The EU and Ireland are parties to TRIPS and the TBT Agreement.

ECTA's concerns about 'plain packaging'.

2.3 ECTA's concerns about proposed standardised packaging laws in general and, in submitting this evidence, the Irish Government's proposal to introduce standardised packaging legislation, relate in particular to trade marks. As already stated, the essence of 'plain packaging' is the prohibition of the use of all trade marks, with the sole exception of a brand name, a business or company name for the products, and any variant name of the products. According to Head 5, Subhead (5)(g) the brand or any variant name must be in a colour and font type as prescribed in regulations made by the Minister, as provided by Head 2.

2.4 Protection of trade marks by registration in the EU is governed by two measures in particular. These are the Harmonisation Directive and the Community Trade Mark Regulation ('CTMR') - originally Council Regulation 40/94, now replaced by Council Regulation 207/2009 - the latter establishing a regime under which a registered CTM has unitary effect throughout the EU.

These measures are both under revision, following proposals by the European Commission of a 'recast' Directive (of broader scope than the existing Directive) and a revised CTMR. It is not considered that any of the revisions are likely to affect the basic principles of trade mark law enshrined in the existing Directive (implemented by all the EU Member States) and the existing CTMR.

2.5 The principal concerns raised by the Irish Government's proposed legislation arise because of the impact of those proposals on trade mark rights, and on related rights such as are protected for example in common law countries such as Ireland and the UK, by the laws of passing off, and elsewhere by unfair competition laws. There are other subsidiary but none the less important 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.

Trade mark rights and the relevant legal provisions

2.6 The function of a trade mark, whether registered or unregistered, is internationally recognised. A trade mark is the means by which its owner distinguishes his goods or services from those of other undertakings. Without the ability to use established trade marks, the owner loses the possibility of identifying goods or services as his, as opposed to goods or services of others, and consumers are deprived of the essential means for making their choice in selecting products for purchase.

2.7 Registered trade marks are universally recognised throughout the EU as rights of property. Although the Harmonisation Directive does not say so in express terms, it contains the usual provisions governing registered trade marks as objects of property. The Irish Trade Marks Act 1996, contains a specific provision to the effect (section 7 (1)) that a registered trade mark is a property right obtained by the registration of the trade mark. The CTMR similarly recognises registered CTMs 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.

2.8 In Ireland, as also 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.

2.9 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. This applies to the Tobacco industry as much as to any other industry.

2.10 With these considerations in mind, the main submissions of ECTA, as set out below, are directed to Head 5, bearing also in mind the effects of the provisions in Head 6. Essentially the same issues arise in relation to corresponding provisions for 'Roll-your-own' (Heads 8 and 9) and to other tobacco products (Head 10). ECTA also wishes to comment on some aspects of Head 3 ('Purpose of the Legislation').

2.11 The principal recommendation that ECTA wishes to have considered by the Committee is the deletion of the provisions in Head 5 (and corresponding provisions in Heads 8 and 10) requiring standardised packaging. ECTA has in mind in particular the following provisions:

Head 5, Subheads (1)(c) and (g), and 2(b) and (c); Head 8, Subheads (1)(d) and (e) and 2(b) and (c). Head 10, Subheads 1(c) and (2)(b) and (c).

3. RECOMMENDATIONS ECTA WISHES TO BE CONSIDERED BY THE COMMITTEE

3.1 As stated in the Executive Summary, the principal recommendation that ECTA wishes to have considered by the Committee is the deletion of the provisions in Head 5 (and corresponding provisions in Heads 8 and 10) requiring standardised packaging, and in particular the following provisions:

Head 5, Subheads (1)(c) and (g) and 2(b) and (c).
Head 8, Subheads (1)(d) and (e) and 2(b) and (c).
Head 10, Subheads 1(c) and (2)(b) and (c).

4. MAIN SUBMISSIONS

Trade marks are rights of property

4.1 Referring back to the Executive Summary (paragraph 2.7 onwards), if there were any doubt about the proposition that trade marks are rights of property, the matter is put beyond argument by the Charter of Fundamental Rights of the European Union (the 'EU Charter'), article 17 of which contains general provisions for the protection of property rights, including a right of use of such rights, and states (article 17.2) that "Intellectual Property shall be protected". It should be noted that the term 'trade mark' as defined in the Irish Trade Marks Act 1996, and as recognised throughout the world, covers not merely brand names and names of variants (to which the provisions of Heads 5, 8 and 10 mentioned in section 3 above do not apply) but also other marks such as logos, numerals, designs, and other features of tobacco packs, which all serve the purpose of identifying goods of the trade mark owners and distinguishing them from the products of other traders.

4.2 Protection for property rights is also provided by article 1 of the First Protocol of the European Convention on Human Rights ('ECHR'). The European Court of Human Rights has held that for the purposes of article 1, registered trade marks, and indeed applications to register trade marks, are rights of property (*Anheuser-Busch v Portugal* [Application 73049/02]).

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

4.4 The above are not the only relevant provisions protecting property rights as such. In particular, the Irish Constitution also obliges the State to protect as best it may from unjust attack and to vindicate the property rights of every citizen (Article 40.3.2 of The Irish Constitution, 1937). It also acknowledges the natural right to private ownership (Article 43.1 of The Irish Constitution, 1937).

4.5 Based on the Australian Constitution, the Australian High Court rejected the challenge to the plain packaging law adopted in Australia because the Government had not “acquired” the property rights of the tobacco companies. However, the Court did hold that there was a deprivation of property rights. It is important to underline that this peculiar requirement of acquisition is not applicable to the law of deprivation of property under the Irish Constitution.

Head 3

4.6 As indicated in paragraph 2.10 above, ECTA wishes to comment on certain aspects of Head 3 (‘Purpose of the Legislation’) and the Explanatory Note regarding Head 3.

4.7 The first purpose is stated to be to “reduce the appeal of tobacco and tobacco products”. The second is to “increase the effectiveness of health warnings on tobacco products”, and the third is to “reduce the ability of packaging of tobacco and tobacco products to mislead consumers about the harmful effects of smoking in the public interest”. Each of these requires careful scrutiny. These stated purposes should be examined in the context of the Explanatory Note.

4.8 It is stated that the “introduction of standardised packaging will remove one of the last remaining methods of tobacco advertising”. This is followed by a statement that:

“Evidence shows that tobacco branding works in three ways: 1) Packs are designed to be attractive and to communicate the personality of the brand; 2) Lighter coloured packs mislead consumers, falsely suggesting that some tobacco products are healthier than others; 3) Branding on packs reduces the prominence and effectiveness of health warnings.”

4.9 There is also a reference to ‘research’ said to have found that “younger people tended to find standardised packaging less appealing than older people”. ECTA has no knowledge of the “evidence” or the “research” referred to, nor whether any such evidence or research has been made available for scrutiny. The fact that packs are designed to communicate the ‘personality’ of the brand represents the *raison d’être* of a trade mark, which is to distinguish the goods of one trader from those of another. As regards the second point, ECTA has no knowledge as to whether lighter colours have at any time been used in a manner which might in some circumstances mislead customers into thinking that some tobacco products are healthier than others.

Even if that were the case, it would not justify the draconian measures to impose standardised packaging. As for the third point, this is a generalised assertion, not known by ECTA to be supported by any actual evidence, and ignores the great prominence of existing health warnings and the even greater prominence that health warnings will assume under the proposed TPD, to which the Explanatory Note refers. The assertion also seems to ignore the fact that tobacco taxes are increasing (this has already happened in Australia) and can be expected to be further increased in the future, bringing a likely reduction in smoking. ECTA has no knowledge as to whether there is any scientific consensus regarding any direct relationship between standardized packaging and reduction in smoking. However, ECTA submits that so long as there is no cogent scientific evidence which demonstrates the existence of such a relationship, there is a strong inference that standardised packaging, as opposed to specific measures directed against the misleading of consumers, is not necessary to achieve the third stated purpose.

4.10 For these reasons ECTA is unable to accept that requiring standardised packaging will in itself reduce the ‘appeal’ of tobacco products or increase the effectiveness of existing health warnings or such larger and more prominent health warnings as may be imposed in the future in accordance with the proposed TPD or similar measures.

The Paris Convention and the TRIPS Agreement

4.11 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”. Therefore, 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. The TRIPS repeats this provision in Article 15.4.

4.12 The TRIPS Agreement does make specific provisions relating to public health matters. Article 8.1 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.

4.13 Such provisions include not only Article 15.4, referred to above, but also Article 20 (‘Other Requirements’), which is of particular relevance to the contemplated plain packaging law. This 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.”

4.14 Article 20 is of particular importance when considering whether standardised packaging laws are lawful. It applies to all trade marks, not just ones that consist of a plain brand name or variant name. 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. This is important for consumers as well as for trade mark proprietors, because trade marks provide the means for consumers to select and acquire the products that they want. If use of any trade mark, at least for a lawful product, is prohibited, or if a trade mark is 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. Moreover the general prohibition against use being “encumbered by special requirements” would also be breached by standardised or plain packaging laws.

Conclusions

4.15 Tobacco companies like any other business, 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), numerals, or a combination of words and numerals, sometimes in plain letters and numbers, but often in stylised forms or letters and numbers, 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 qualify for registration, be capable of distinguishing the products concerned from those of other traders. Even where a mark is not registered, its use over a period of time is a factor in the creation of goodwill, protected under the laws of passing off mentioned above.

4.16 As explained above, plain packaging laws amount to a deprivation of property rights, which are protected under the provisions of the EU Charter of Fundamental Rights and the ECHR, as well as the Irish Constitution. To a very considerable extent, plain packaging laws would prohibit any use of the tobacco companies' trade marks at all. Even in the case of the ‘brand name’, the permitted use would be confined to the name in very small standardised lettering, with the result that registrations of those names would have little or no real value because the property rights that they are could not be enjoyed in any real sense.

4.17 In this response ECTA has not specifically addressed the public/general interest aspects. ECTA accepts that smoking is harmful, indeed dangerous to health. However it is in any event for 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 by existing bans on advertising and display in retail premises, by tax measures, and by increasingly prominent health warnings.

4.18 The other aspect which must be considered is the risk that plain packaging may create an increase in the already significant prevalence of trade in counterfeit and contraband cigarettes. Concern in this respect has been expressed by many organisations, including the police and other enforcement agencies. It seems 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. There is already some evidence in Australia, from the report prepared by KPMG¹ and the report prepared by the London Economics institute², that plain packaging is having such effects.

4.19 A final point concerns the timing of the proposed legislation. First of all, it is much too early to be able to form any meaningful view as to whether plain packaging in Australia will, by itself and over and above other factors such as enlarged health warnings and higher taxes, have any material effect in dissuading people from taking up smoking, or encouraging them to cease smoking. Secondly, the Australian law is, as mentioned, under challenge before the WTO. In the event that the WTO upholds the complaints, the likely consequence would be that the proposed Irish legislation would also be unlawful. There is much to be said, in any event, for awaiting the outcome of the WTO challenges.

¹ http://www.ecta.org/IMG/pdf/kpmg_report_on_illicit_trade_australia_4_nov_2013.pdf

² <http://londoneconomics.co.uk/wp-content/uploads/2013/11/London-Economics-Report-Australian-Prevalence-Final-Report-25-11-2013.pdf>