

association des praticiens du droit des marques et des modèles

By registered mail
and email: tobaccopacks@dh.gsi.gov.uk

Tobacco Packs Consultation
Department of Health
7th Floor
Wellington House
133-135 Waterloo Road
UK – London SE1 8UG
United Kingdom

Paris, 3 July 2012

Re: Consultation on standardised packaging of tobacco products

Dear Sirs,

On behalf of APRAM, we would like to submit the following observations in relation to the Consultation on standardised packaging of Tobacco products.

WHAT IS APRAM?

APRAM – *Association of Trade marks and Designs rights Practitioners*– is an international Association for French-speaking specialists in industrial and intellectual property, in particular Trade marks and designs.

The association, which now has more than 800 members, was founded more than 30 years ago and is open to all French-speaking lawyers practising, all over the world, in the field of Trade marks and designs. It gathers together in-house intellectual property specialists, Attorneys at law and Trade mark Attorneys.

The purpose of the association is notably to play an active role in, and be at the forefront of, further to consultation or on its own initiative, discussions concerning intellectual property and business law in France, Europe and the world.

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As a prominent international intellectual property association, APRAM is notably member of the OHIM's users group and is observer at the World Intellectual Property Organization (WIPO).

To this end, APRAM has closely studied the UK proposal to standardise the packaging of tobacco products. APRAM wishes in particular to inform the Department of Health of its serious misgivings with regard to the proposal to introduce standardised or plain packaging for tobacco-based products. APRAM does not defend a particular industry; it is **fiercely independent of the tobacco lobby and industry**. Rather APRAM defends industrial property as such and, in particular, the holders of trade marks and designs, whoever they may be.

1. THE STANDARDISED PACKAGING PROPOSAL

1. The UK Department of Health and Devolved Administrations are currently considering whether to require the packaging of tobacco products to be standardised. Standardised packaging is also referred to as "plain packaging".
2. Such packaging would feature only legally mandated information,¹ namely coloured images warnings of the dangers of the product, a list of ingredients, and the content of tar, nicotine and other constituents. Aside from the brand name and the product name in a mandated size, font and place on the pack for all manufacturers, the use of any figurative trade mark, logo, (combination of) colours, as well as any original and/or simply ornamental or decorative composition would be prohibited. The packaging itself would be the same prescribed colour for everyone. All packs would be of a standard shape, have the same type of opening and possibly be manufactured with particular materials.
3. The justification put forward to date is that the packaging will be less attractive if it is devoid of any distinctive sign (other than the brand name) or decorative element, which will consequently reduce the purchase and thus the consumption of tobacco products. This justification appears at the very least far-fetched as quite commonly a consumer's purchasing behaviour is not in any way the result of a comparison of potentially attractive features appearing on various tobacco products, which could notably include logos or other semi-figurative marks of the manufacturers of these products.
4. As both the objective and the effect of the proposed measure would have an immediate impact on the use of trade marks and, consequently, on the rights of their holders, APRAM has carried out a preliminary legal analysis of the proposal. The proposal appears particularly dangerous for the holders of trade marks and would give rise to an unjustified and unjustifiable breach in the protective shield progressively put in place to ensure the protection of the rights of trade mark holders. The proposed measures would also be counterproductive and capable of effectively

¹ As provided by Directive 2001/37/EC of 5 June 2001 on the approximation of the laws, regulations and administrative provisions of the Member States concerning the manufacture, presentation and sale of tobacco products.



wiping out the efforts made for years, particularly by various governments of the EU Member States and their customs services, to fight against counterfeit tobacco products and would go against the IPR strategy issued by the European Commission on 25 May 2011.

5. This letter answers questions 1, 2, 6, 7 and 9 contained in Appendix A to the UK public consultation on standardised packaging of tobacco products.

2. QUESTION 1: WHICH OPTION DO YOU FAVOUR?

Question 1: Which option do you favour?

- *Option 1: Do nothing about tobacco products (i.e., maintain the status quo for tobacco packaging);*
- *Option 2: Require standardised packaging of tobacco products; or*
- *Option 3: A different option for tobacco packaging to improve public health.*

6. APRAM is absolutely opposed to option 2. In its capacity as an IP association, APRAM has no preference between options 1 and 3 but would like to point out that there are surely many other ways of achieving the proposed public health objective, without trampling on the rights of trade mark holders.

3. QUESTION 2: IF STANDARDISED TOBACCO PACKAGING WERE TO BE INTRODUCED, WOULD YOU AGREE WITH THE APPROACH SET OUT IN PARAGRAPHS 4.6 AND 4.7 OF THE CONSULTATION?

7. For the reasons set out in our answers to questions 6 and 9, APRAM does not agree with the approach set out in paragraphs 4.6 and 4.7 of the consultation.

4. QUESTION 6: DO YOU BELIEVE THAT REQUIRING STANDARDISED TOBACCO PACKAGING WOULD HAVE LEGAL IMPLICATIONS?

8. APRAM's position is that, if adopted, the standardised packaging proposal would be tantamount to a general ban on the use of registered trade marks for tobacco products (other than those covering the word mark). This would violate supranational law.

4.1 AN UNDERMINING OF THE SUBSTANCE OF TRADE MARK RIGHTS

9. Indeed, the proposal to ban the use of figurative trade marks, logos and (combinations) of colours on packaging (or, alternatively, drastically reduce the space reserved for the holders of trade marks for tobacco products to display their distinctive signs) constitutes a measure which, at the European level, would be compounded with the other prohibitions currently in place with respect to the advertising of tobacco products, namely:

- a ban on all forms of audiovisual commercial communication for cigarettes and other tobacco products;²
 - a ban on product placement, in any event programmes, for tobacco products or cigarettes or product placement from undertakings whose principal activity is the manufacture or sale of cigarettes and other tobacco products;³
 - a ban on advertising and sponsorship of cigarettes and other tobacco products in the press and other printed publications, information society services and radio programmes.⁴
10. Given the various existing restrictions and prohibitions, the only place where the use of word and figurative trade marks for tobacco products is still tolerated, with regard to consumers, is precisely the packaging. This is the only place where trade marks can still be displayed and used. The use of word and figurative trade marks on packaging indeed allows the marks to fulfil their essential function, namely to distinguish the product in question as originating from a particular undertaking.⁵ This is the substance of a trade mark and its essential function, as the Court of Justice of the European Union has repeatedly stated: “to guarantee the identity of the origin of the marked product or service to the consumer or end-user by enabling him, without any possibility of confusion, to distinguish the product or service from others which have another origin”.⁶
11. The Court of Justice of the European Union has also recognised that, aside from its essential distinctive function, a trade mark also fulfils other functions, namely to guarantee the quality of

² Article 9(1)(d) of Directive 2010/13/EU of the European Parliament and of the Council of 10 March 2010 on the coordination of certain provisions laid down by law, regulation or administrative action in Member States concerning the provision of audiovisual media services (Audiovisual Media Services Directive), *OJ L* 95 of 15 April 2010, p. 1, repealing and replacing Directive 89/552/EEC of the Council of 3 October 1989 on the coordination of certain provisions laid down by law, regulation or administrative action in Member States concerning the pursuit of television broadcasting activities, as amended. This is a general ban which also covers “indirect forms of audiovisual commercial communication which, whilst not directly mentioning the tobacco product, seek to circumvent the ban on audiovisual commercial communication for cigarettes and other tobacco products by using brand names, symbols or other distinctive features of tobacco products or of undertakings whose known or main activities include the production or sale of such products” (88th Recital).

³ Article 11(4) of Directive 2010/13/EU.

⁴ Articles 3, 4 and 5 of Directive 2003/33/EC of the Parliament and the Council of 26 May 2003 on the approximation of the laws, regulations and administrative provisions of the Member States relating to the advertising and sponsorship of tobacco products, *OJ L* 152 of 20 June 2003, p. 16; *see also* CJEU, Grand Chamber, 12 December 2006, C-380/03, *Federal Republic of Germany v European Parliament and Council of the European Union*, para 84: the term “printed publications” covers “publications such as newspapers, periodicals and magazines”.

⁵ Article 2 of Directive 2008/95/EC of the European Parliament and of the Council of 22 October 2008 to approximate the laws of the Member States relating to trade marks (codified version), *OJ J* 299 of 8 November 2008, p. 25, and Article 4 of Regulation (EC) No 207/2009 of the Council and the Commission on the Community trade mark (codified version), *OJ L* 78 of 24 March 2009, p. 1, which provide that the following can be considered trade marks (or Community trade marks, as the case may be): any signs capable of being represented graphically, particularly words, including personal names, designs, letters, numerals, the shape of goods or of their packaging, provided that such signs are capable of distinguishing the goods or services of one undertaking from those of other undertakings.”

⁶ *See in particular* CJEU, 16 July 2009, C-202/08P and C-208/08P, *American Clothing Associations v OHIM*, para 40; CJEU, 29 September 1998, C-39/97, *Canon*, para 28; CJEU, 17 October 1990, C-10/89, *Hag II*, para 14; CJEU, 23 May 1978, 102/77, *Hoffmann-La Roche*, para 7.



the goods or services in question and those of communication, investment or advertising.⁷ In the case of tobacco products, the presence on the packaging of figurative trade marks and logos or other (combinations of) colours serves to fulfil, to an even greater extent, the various functions of a trade mark, as the communication, investment and advertising functions cannot be fulfilled through use of the mark in other media, which is prohibited.

12. The use of figurative trade marks, logos and other (combinations of) colours on the packaging is important for the relevant public. The Court of Justice of the European Union has moreover precisely emphasized, with regard to the consumer's perception of the packaging of tobacco products, that "[his] attention will focus on the verbal and figurative elements on the pack of cigarettes in question and not on its form".⁸
13. For a manufacturer of tobacco products, both the distinctive function fulfilled by figurative trade marks as well as their communication, investment and advertising functions confer on its marks a particularly significant commercial and market value. Such marks are indeed an important corporate asset, whose value can sometimes be very high, due to their reputation amongst both smokers and non-smokers.⁹
14. Rendering all packaging for tobacco products the same would, hypothetically speaking, create and increase confusion amongst consumers, who would be faced with no distinctive signs, aside from the word marks of the various tobacco manufacturers, appearing moreover in a uniform font.
15. The plain packaging proposal undermines, moreover, the very substance of trade mark rights, namely the essential function of a trade mark as well as its other functions. This ground alone should cause the UK Department of Health and Devolved Administrations to proceed with the utmost caution when considering the possibility of pursuing this proposal.
16. In addition to undermining the functions of a trade mark, our legal analysis of the proposal revealed that it also violates several legal norms and higher principles, thereby exposing the United Kingdom to liability. The proposal indeed violates both Article 17 of the Charter of Fundamental Rights of the European Union and Article 1 of Protocol No 1 to the European Convention on Human Rights (4.2) as well as the Community proportionality principle (4.3) and the TRIPS Agreement (4.4).

⁷ CJEU, 8 July 2010, C-558/08, *Portakabin v Primakabin*, para 30; CJEU, 25 March 2010, C-278/08, *BergSpechte*, para 31; CJEU, Grand Chamber, 23 March 2010, C-236/08 to C-238/08, *Google France*, para 77; CJEU, 18 June 2009, C-487/07, *L'Oréal v Bellure*, para 58.

⁸ CJEU, 27 June 2008, C-497/07P, *Philip Morris Products v OHIM*, para 27, confirming GC, 12 September 2007, T-140/06, paras 34 and 69.

⁹ See e.g. MillwardBrown Brandz's or Interbrand's annual rankings of the 100 most important global brands, in all sectors. The *Marlboro* brand (with its distinctive figurative character) is ranked, in Brandz's ranking for 2012, at the 7th place (www.millwardbrown.com/brandz/2012/Documents/2012_BrandZ_Top100_Chart.pdf) and, in Interbrand's ranking for 2010, in the 18th place (www.interbrand.com/en/best-global-brands/best-global-brands-2008/best-global-brands-2010.aspx).

4.2 VIOLATION OF ARTICLE 17 OF THE CHARTER OF FUNDAMENTAL RIGHTS OF THE EUROPEAN UNION AND ARTICLE 1 OF PROTOCOL No 1

4.2.1 Trade marks are protected “possessions”

17. Article 6 of the Treaty on European Union gives the rights, freedoms and principles set out in the Charter of Fundamental Rights of the European Union, hereinafter the “Charter”, “the same legal value as the Treaties”.¹⁰ Article 17 of the Charter¹¹ reads as follows: “1. Everyone has the right to own, use, dispose of and bequeath his or her lawfully acquired possessions. No one may be deprived of his or her possessions, except in the public interest and in the cases and under the conditions provided for by law, subject to fair compensation being paid in good time for their loss. The use of property may be regulated by law in so far as is necessary for the general interest. 2. Intellectual property shall be protected.”¹²
18. This consecration of property rights corresponds¹³ to that found in the first paragraph of Article 1 of the additional Protocol to the European Convention on Human Rights,¹⁴ hereinafter “Protocol No 1”, which the Grand Chamber of the European Court of Human Rights, in its judgment on the merits of 11 July 2007, held “applies to intellectual property as such”.¹⁵ The European Court of Human Rights considered that the principle applies even to an application for a trade mark, which has not yet been registered, due to its economic value: “With this in mind, the Court takes due note of the bundle of financial rights and interests that arise upon an application for the registration of a trade mark. It agrees with the Chamber that such applications may give rise to a variety of legal transactions, such as a sale or licence agreement for

¹⁰ OJ C83 of 20 March 2010, p. 19; CJEU, Grand Chamber, 9 November 2010, C-92/09 and C-93/09, *Volker und Markus Schecke and Eifert*, para 45.

¹¹ OJ C303 of 14 December 2007, p. 6.

¹² Article 17 of the Charter confirms long-standing case law of the CJEU, according to which “the right to property is guaranteed in the Community legal order in accordance with the ideas common to the constitutions of the Member States, which are also reflected in the first protocol to the European Convention for the Protection of Human Rights” (CJEU, 13 December 1979, 44/79, *Hauer*, para 17). As the ECHR and Protocol No 1 are binding on all Member States of the European Union, the CJEU deems that “fundamental rights form an integral part of the general principles of law, the observance of which it [the Court] ensures. For that purpose the Court draws inspiration from the constitutional traditions common to the Member States and from the guidelines supplied by international treaties for the protection of human rights on which the member State have collaborated or of which they are signatories (see, in particular, the judgment in Case C-4/73 *Nold v Commission* [1974] ECR 491, paragraph 13). The European Convention on Human Rights has special significance in that respect (see in particular Case C-222-84 *Johnston v Chief Constable of the Royal Ulster Constabulary* [1986] ECR 1651, paragraph 18). It follows that, as the Court held in its judgment in Case C-5/88, *Wachauf v Federal Republic of Germany* [1989] ECR 2609, paragraph 19, the Community cannot accept measures which are incompatible with observance of the human rights thus recognized and guaranteed” (CJEU, 18 June 1991, C-260/89, *E.R.T. v D.E.P.*, para 41).

¹³ Article 52(3) of the Charter provides that insofar as the Charter contains rights “corresponding” to those rights guaranteed by the European Convention on Human Rights, “the meaning and scope of those rights shall be the same as those laid down by the said Convention”; CJEU, Grand Chamber, 9 November 2010, C-92/09 and C-93/09, *Volker und Markus Schecke and Eifert*, para 51.

¹⁴ The first paragraph of Article 1 of Protocol No 1 provides as follows: “Every natural or legal person is entitled to the peaceful enjoyment of his possessions. 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”.

¹⁵ European Court of Human Rights, Grand Chamber, 11 July 2007, case 73049/01 *Anheuser-Busch Inc v Portugal*, para 72.

consideration, and possess – or are capable of possessing – a substantial economic value.”¹⁶ In this case, the “international renown” of the mark that formed the object of the application undeniably conferred on it “definite financial value”. It follows that to the extent “interests of a proprietary nature” are at stake, the legal position of the applicant for a trade mark falls under Article 1 of Protocol No 1.¹⁷

19. Article 52(1) of the Charter requires that any limitation on the exercise of the rights and freedoms recognised by the Charter “respect the essence” of those rights and freedoms, be “subject to the principle of proportionality”, “necessary” and “genuinely” meet objectives of general interest recognised by the Union or the need to protect the rights and freedoms of others.¹⁸
20. Respect for possessions entails guaranteeing individuals and companies that the state of which they are nationals or in which they are established will not directly harm their property, including as the case may be intellectual property.
21. Intellectual property rights are thus protected as “possessions” by both the Charter and the European Convention on Human Rights. This principle is expressed notably in Community law by the recognition of both a *trade mark* as well as *an application to register a trade mark* as “objects of property” (see Articles 16 to 24, Section 4 of Title II of Regulation (EC) No 207/2009 on the Community trade mark).

4.2.2 Interference

22. Respect for intellectual property as a “possession” within the meaning of Article 17 of the Charter and Article 1 of Protocol No 1 “is the general guarantee against state appropriation; intellectual property rights, as possessions, are thus protected against all illegitimate acts of a public power. The principle of respect for possessions set forth in Article 1 of Protocol No 1 also results in protection of the rights of ownership. There is undeniably a violation of property rights when a state refuses to protect a right.”¹⁹
23. If the ban on making the slightest use on the packaging of a figurative trade mark or logo protected by a private right were and remained limited to this medium alone, it could possibly be accepted that, under these conditions, the prohibition does not constitute an intolerable

¹⁶ European Court of Human Rights, Grand Chamber, 11 July 2007, case 73049/01 *Anheuser-Busch Inc v Portugal*, para 76.

¹⁷ European Court of Human Rights, Grand Chamber, 11 July 2007, case 73049/01 *Anheuser-Busch Inc v Portugal*, para 77; see also C. GEIGER “Marques et droit fondamentaux” in *Les défis du droit des marques au XXI^e siècle – Actes du colloque en l’honneur du Professeur Yves Reboul*, Coll. Ceipi, 56, 2010, p. 165.

¹⁸ CJEU, Grand Chamber, 9 November 2010, C-92/09 and C-93/09, *Volker und Markus Schecke and Eifert*, para 50.

¹⁹ M. DUPUIS, “L’immixtion de la Convention EDH dans la propriété industrielle”, *Revue Lamy Droit des Affaires*, 2009, no 41, p. 69, translated from the French: “C’est la garantie générale contre les spoliations étatiques ; les droits de propriété industrielle, en tant que biens, sont donc protégés contre tous les actes illégitimes de la puissance publique. Le principe du respect des biens énoncé par l’article 1^{er} du Protocole n° 1 conduit également à protéger les prérogatives du propriétaire sur sa chose. Il y a incontestablement violation du respect dû aux biens lorsqu’un Etat refuse de protéger un droit”.

infringement of the right to enjoy and use a trade mark. However, in the case at hand, the standardised packaging proposal falls within a restrictive existing normative European framework that already prohibits all use of such marks on other media, aside from the pack itself (see above). The proposal would thus result in a prohibition on use of a figurative trade mark for any tobacco product and on any medium whatsoever.

24. Consequently, if the proposal were adopted, the holders of figurative trade marks and other protected logos for tobacco products would find themselves deprived of the possibility to peacefully, lawfully and publicly use their marks. By doing so, all use and enjoyment of their trade mark rights, that is to say their industrial property, would become impossible since such use or enjoyment would be forbidden. All earnings they derive from the use of their trade marks or from third-party licences would be wiped out; the same goes for trade mark pledge agreements.
25. This interference is tantamount to a “deprivation of property” within the meaning of Article 17 of the Charter and Article 1(1) of Protocol No 1.

4.2.3 Compensation up to the value of each trade mark rendered unusable

26. According to settled case law of the European Court of Human Rights, a measure that interferes with the peaceful enjoyment of possessions must pursue a goal of public utility and strike a “fair balance” between the demands of the general interests of the community and the requirements of the protection of the fundamental rights in question. Further, there must be a reasonable relationship of proportionality between the means employed and the objective of the interference:²⁰ “Compensation terms under the relevant legislation are material to the assessment whether the contested measure respects the requisite fair balance and, notably, whether it does not impose a disproportionate burden on the applicants. In this connection, the taking of property without payment of an amount reasonably related to its value will normally constitute a disproportionate interference (...).”²¹
27. In the case at hand, it is not clear which “balance” – which must moreover be “fair” – would be guaranteed by the standardised packaging proposal. It is further not clear how this proposal respects “*the essence*” of trade mark rights. The proposal in no way spares fundamental rights in the present case: it simply deprives the holders of all enjoyment and use of their intellectual property rights for all trade marks other than purely word marks, without any compensation whatsoever.

²⁰ European Court of Human Rights, 21 September 1994, case 13092/87 and 13984/88, *The Holy Monasteries v Greece*, para 70.

²¹ European Court of Human Rights, 21 September 1994, case 13092/87 and 13984/88, *The Holy Monasteries v Greece*, para 71. See also M. DUPUIS, “L’immixtion de la Convention EDH dans la propriété industrielle” in *Revue Lamy Droit des Affaires*, 2009, no 41, p 71: “the keeping of an invention secret in the interest of national defence can under no circumstances take the form of expropriation without financial compensation for the inventor”, translated from: “la mise au secret d’une invention dans l’intérêt de la défense nationale ne pourrait en aucun cas prendre la forme d’une expropriation sans contrepartie financière pour l’inventeur”.

28. A deprivation of property must be reasonably compensated, in light of the value of the possession. Should it be found that the standardised packaging proposal violates Article 17 of the Charter and Article 1(1) of Protocol No 1, the public authorities that adopted it would be obliged to compensate the cigarette manufacturers up to the value of each mark rendered unusable. The proportionality of the compensation to the expropriated possession is a matter to be settled by the European courts.²²

4.2.4 Liability of the United Kingdom

29. If the United Kingdom were to adopt legislation, regulations or policies introducing standardised packaging for tobacco products, the validity thereof with regard to the Charter could be directly challenged before the CJEU.²³

4.3 VIOLATION OF THE PROPORTIONALITY PRINCIPLE UNDER EU LAW

30. The proportionality principle is a general rule of European law requiring that the means used to implement a provision of EU law be suitable to realise the intended objective and not go beyond what is necessary in order to do so. The CJEU has cited the proportionality principle when interpreting numerous provisions of EU law,²⁴ including notably Articles 5 and 7 of Directive 2001/37/EC concerning the manufacture, presentation and sale of tobacco products,²⁵ as well as Articles 3 and 4 of Directive 2003/33/EC relating to advertising and sponsorship of tobacco products.²⁶
31. When the CJEU was requested to rule on the validity and interpretation of Directive 2001/37/EC, various holders of tobacco trade marks raised – unsuccessfully – a violation of the proportionality principle in an attempt to try to invalidate, on the one hand, Article 5 requiring that general warnings regarding the harmful effects of the product and its consumption appear on the most visible place on the packet and, on the other hand, Article 7 prohibiting the use on packaging of texts, names, trade marks and figurative or other signs suggesting that a particular tobacco product is less harmful than others. With respect to Article 7, Japan Tobacco maintained that, applied to established trade marks, this article “will preclude Japan Tobacco from having the benefit of or using, within the [European Union], the intellectual property in the Mild Seven

²² European Court of Human Rights, 22 September 1994, case 13616/88, *Hentrich v France*, in which the compensation granted did not strike a fair balance.

²³ CJEU, Grand Chamber, 9 November 2010, C-92/09 and C-93/09, *Volker und Markus Schecke and Eifert*, para 46.

²⁴ See notably CJEU, 17 March 2011, C-221/09, *AJD Tuna*, para 79; CJEU, Grand Chamber, 7 July 2009, C-558/07, *S.P.C.M.*, para 41; CJEU, 11 July 2002, C-210/00, *Käserei Champignon Hofmeister*, para 59; CJEU, 7 December 1993, C-339/92, *ADM Ölmühlen*, para 15; CJEU, 18 November 1987, 137/85, *Maizena*, para 15.

²⁵ CJEU, Grand Chamber, 14 December 2004, C-434/02, *Arnold André*, para 45; CJEU, Grand Chamber, 14 December 2004, C-210/03, *Swedish Match*, para 47; CJEU, 10 December 2002, C-491/01, *British American Tobacco and Imperial Tobacco*, para 122.

²⁶ CJEU, Grand Chamber, 12 December 2006, C-380/03, *Federal Republic of Germany v European Parliament and Council of the European Union*, para 144.

trade mark, which, when that provision enters into force, will cause severe damage to the brand worldwide.”²⁷

32. The Court of Justice of the European Union found that the arguments raised were not such as to affect the validity of the Directive. The decisive ground on which the Court held that the EU legislature had not exceeded the limits of its discretionary power and had respected the proportionality principle resided in the fact that, even if the required mentions and warnings took up a large amount of space on the packaging, their proportion nonetheless left “sufficient space for the manufacturers of those products to be able to affix other material, in particular concerning their trade marks.”²⁸ On this basis it follows, according to the Court, that the only effect produced by the directive is “to restrict the right of manufacturers of tobacco products to use the space on some sides of cigarette packets or unit packets of tobacco products to show their trade marks, **without prejudicing the substance of their trade mark rights**, the purpose being to ensure a high level of health protection when the obstacles created by national laws on labelling are eliminated. In the light of this analysis, Article 5 constitutes a proportionate restriction on the use of the right to property compatible with the protection afforded that right by [EU] law.”²⁹
33. **Sufficient space was deliberately left** to the manufacturers of tobacco products in order to maintain a certain balance, by ensuring “the greatest possible transparency of product information....while ensuring that appropriate account is taken of the commercial and intellectual property rights of the tobacco manufacturers.”³⁰ The need to maintain sufficient space thus leads us, as mentioned above, to contest the lawfulness and legitimacy of the UK Department of Health and Devolved Administrations’ proposal to introduce standardised packaging for tobacco products, as well as any alternative further to which the space reserved to the trade mark holder to affix its distinctive signs would be drastically reduced so as to represent only a minuscule percentage of the surface of the packaging.
34. As for Article 7 of Directive 2001/37/EC, which prohibits the use, on the packaging of tobacco products, of a trade mark incorporating any of the listed descriptors, the Court of Justice of the European Union found this prohibition proportionate “in order to ensure that consumers be given objective information”,³¹ as these descriptors could, in the absence of specific rules governing their use and precise quantitative thresholds, “mislead consumers”.³² In light of these findings, the Court held that limitations on trade mark rights which could be caused by Article 7 “do in fact correspond to the objectives of general interest pursued by the [European Union] and do not constitute a disproportionate and intolerable inference, impairing the very substance of that right”³³ since, the Court insisted, “a manufacturer of tobacco products may continue, notwithstanding the removal of that description from the packaging, to distinguish its product by

²⁷ CJEU, 10 December 2002, C-491/01, *British American Tobacco and Imperial Tobacco*, para 27.

²⁸ CJEU, 10 December 2002, C-491/01, *British American Tobacco and Imperial Tobacco*, para 132.

²⁹ CJEU, 10 December 2002, C-491/01, *British American Tobacco and Imperial Tobacco*, para 150.

³⁰ Twenty-sixth Recital to Directive 2001/37/EC on the manufacture, presentation and sale of tobacco products.

³¹ CJEU, 10 December 2002, C-491/01, *British American Tobacco and Imperial Tobacco*, para 139.

³² CJEU, 10 December 2002, C-491/01, *British American Tobacco and Imperial Tobacco*, para 138.

³³ CJEU, 10 December 2002, C-491/01, *British American Tobacco and Imperial Tobacco*, para 153.

using other distinctive signs.”³⁴ By using the plural (“other distinctive signs”), the Court referred to both word and figurative trade marks.

35. The aforementioned decisive grounds are the only ones cited by the Court of Justice in its discussion of the proportionality principle. However, these grounds do not apply to the standardised packaging proposal. Pursuant to the proposal, no space is left at all for the manufacturers of tobacco products to affix their distinctive, original and/or decorative signs. To the extent the proposal simply prohibits them from individualizing their products through the use of any figurative mark or logo – regardless of the medium, as a ban on other media is already in force – it (definitively) **undermines the very substance of trade mark rights**. Moreover, no duty to inform consumers enters into account here as, hypothetically speaking, standardised packaging provides no information. On the other hand, it is undisputed that consumers can use colours or combinations of colours within a given product range to recognise and, if need be, avoid a product with whose ingredients or level of toxicity they are familiar.
36. As the Advocate-General stated in this case, “[i]t is only if normal usage is no longer possible as a result of provisions of public law that a situation can arise in which the substance of the right is affected by reason of those provisions”.³⁵ This is indeed the case with mandatory standardised packaging, as enjoyment of ownership rights would be prohibited and thus impossible.
37. The opinion rendered by the Grand Chamber of the Court of Justice on Directive 2003/33/EC prohibiting the advertising of tobacco products in printed media, on radio programmes and in information society services does not discuss the existing balance with intellectual property rights. The Court merely held that “given the obligation on the [EU] legislature to ensure a high level of human health protection”³⁶, the prohibition in these media does not go beyond what is necessary to achieve the objective of protection, notably of “young consumers” who can easily access these media.³⁷
38. The standardised packaging proposal would directly undermine the tobacco manufacturers’ intellectual property rights. On the other hand, it does not appear to be established that this measure, which is serious and prejudices fundamental rights, is necessary to effectively achieve the goal of reducing the consumption of tobacco products. Measures other than those which undermine intellectual property rights could achieve the same goal, without depriving trade mark holders of the ability to enjoy their rights. The European Union and the Member States could, for example, launch educational, awareness and information campaigns and ensure clear, accurate and precise labelling, or engage in other efforts to help people quit smoking.
39. The prejudice to trade mark holders’ rights is especially disproportionate given that trade mark law allows the right holder, if the trade mark enjoys a reputation, to oppose use of a similar sign

³⁴ CJEU, 10 December 2002, C-491/01, *British American Tobacco and Imperial Tobacco*, para 152.

³⁵ CJEU, Opinion of L.A. GEELHOED, 10 September 2002, C-491/01, *British American Tobacco and Imperial Tobacco*, para 266.

³⁶ CJEU, Grand Chamber, 12 December 2006, C-380/03, *Federal Republic of Germany v European Parliament and Council of the European Union*, para 147.

³⁷ CJEU, Grand Chamber, 12 December 2006, C-380/03, *Federal Republic of Germany v European Parliament and Council of the European Union*, para 62.



for products that are *not similar* to tobacco, provided such use takes undue advantage of the distinctive character or reputation of the trade mark.³⁸ In other words, the holder of a trade mark of a reputed logo for tobacco products can, if the applicable conditions are met, oppose the registration and use of a similar sign for products which are *different* from tobacco. Should the standardised packaging proposal be adopted, the holders of figurative trade marks – even those which currently enjoy a reputation and are the most immediately recognisable – could after only five years be deemed to have forfeited their rights.³⁹ In this case, any third party could use and register them for any good or service whatsoever, which would undoubtedly create confusion, as certain figurative marks or logos have been deeply rooted in the minds of consumers, even non-smokers, for decades. The introduction of standardised packaging would deprive the right holders of their possessions and their right to avoid this situation.

4.4 Violation of the TRIPS Agreement

4.4.1 Violation of Articles 15(4), 17 and 20 of the TRIPS Agreement

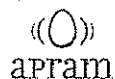
40. Both the European Union and its Member States are bound by the World Trade Organisation's (WTO) Agreement of 15 April 1994 on Trade-related Aspects of Intellectual Property rights, signed in Marrakesh (Annex 1C),⁴⁰ hereinafter the "TRIPS Agreement". Pursuant to this agreement, the European Union and its Member States are *obliged* to ensure effective protection of intellectual property rights.
41. Article 15(4) of the TRIPS Agreement provides that "the nature of the goods or services to which a trademark is to be applied shall in no case form an obstacle to registration of the trademark".⁴¹ If standardised packaging were to be introduced, the "nature of the goods", namely tobacco products, would effectively be the criterion used to prevent all use of the trade marks, thus depriving the registration of any possible utility.
42. Article 17 of the TRIPS Agreement only authorises "limited exceptions to the rights conferred by a trade mark, such as fair use of descriptive terms, provided that such exceptions take account of the legitimate interests of the owner of the trade mark and of third parties". The WTO has interpreted the wording of this article to mean that "every trade mark owner has a legitimate interest in preserving the distinctiveness, or capacity to distinguish, of its trade marks so that it can perform that function. This includes its interest in using its own trade mark in connection with the relevant goods and services of its own and authorized undertakings. Taking account of that legitimate interest will also take account of the trade mark owner's interest in the economic

³⁸ Article 5(2) of Directive 2008/95/EC; Articles 8(5) and 9(1)(c) of Regulation (EC) No 207/2009. For an example of a case in which the holder of a figurative trade mark for tobacco, representing a camel, objected to an application to register a figurative trade mark which it deemed similar for coffee, see GC, 30 January 2008, T-128/06, *Japan Tobacco v OHIM – Torrefacção Camelo*, confirmed by CJEU, 30 April 2009, C-136/08P.

³⁹ Article 12(1)(1) of Directive 2008/95/EC; Articles 15(1) and 51(1)(a) of Regulation (EC) No 207/2009.

⁴⁰ OJ L 336 of 23 December 1994, p. 214.

⁴¹ This article mirrors Article 7 of the Paris Convention of 20 March 1883, as amended.



value of its mark arising from the reputation it enjoys and the quality it denotes.”⁴² The standardised packaging proposal clearly does not fall within the scope of the “limited exceptions” covered by Article 17 of the TRIPS Agreement, as it takes absolutely no account of the interests of the trade mark holders and would even serve to effectively annihilate their rights to use their figurative trade marks as well as the value of those rights.

43. Article 20 of the TRIPS Agreement provides that use of a trade mark “shall not be unjustifiably encumbered by special requirements, such as (...) use in a manner detrimental to its capability to distinguish the goods or services of one undertaking from those of other undertakings.” Once again, a ban on use is substantially more (serious) than a mere “encumbrance”. Even if it could be considered an “encumbrance”, it would not be justified as it results in a complete loss of the trade mark’s power to distinguish – and thus its value. The standardised packaging proposal does not strike a balance between the defence of the general interest and the undeniably serious, real and definitive harm to the private and legitimate rights of the holders of figurative trade marks and other logos and (combinations of) colours.
44. Article 8(1) of the TRIPS Agreement allows the adoption of “measures necessary to protect public health (...) provided that such measures are consistent with the provisions of this Agreement”. The text thus provides for two cumulative conditions. The first relates to the “necessary” character of the measures: it must be proven. It is not sufficient to merely claim that a measure would be beneficial to public health; the European Union and the Member States must be capable of demonstrating an overriding need to impose this specific measure. The necessity of the measure is assessed with reference to the question of whether other measures can be used to achieve the same goal which would be less harmful to the rights of trade mark holders. The second requirement relates to the consistency of the measure with the provisions of the TRIPS Agreement: the proposal does not meet this condition as it violates at least Articles 15(4), 17 and 20 of the Agreement.

4.4.2 The United Kingdom can be held liable under international law

45. The abovementioned violations of the TRIPS Agreement expose the United Kingdom to the actions that can be taken by any other member of the WTO, pursuant to the Memorandum of Understanding on dispute resolution within the WTO.⁴³

5. QUESTION 7: DO YOU BELIEVE THAT REQUIRING STANDARDISED TOBACCO PACKAGING WOULD HAVE COSTS OR BENEFITS FOR MANUFACTURERS, INCLUDING TOBACCO AND PACKAGING MANUFACTURERS?

⁴² WTO Decision of 15 March 2005, European Communities – Protection of Trademarks and Geographical Indications for Agricultural Products and Foodstuffs, Complaint by the United States, Report of the Panel, WT/DS174R, ¶ 7.664.

⁴³ Article 64 of the TRIPS Agreement.



46. As long as the manufacturers are the holders of registered trade marks for figurative signs, logos, (combinations of) colours, and original artwork for tobacco products, APRAM does not see any benefit for them in the proposal for standardised tobacco packaging.
6. **QUESTION 9: DO YOU BELIEVE THAT REQUIRING STANDARDISED TOBACCO PACKAGING WOULD INCREASE THE SUPPLY OF, OR DEMAND FOR, ILLICIT TOBACCO OR NON-DUTY-PAID TOBACCO IN THE UNITED KINGDOM?**
47. The manufacturers of tobacco products have regularly raised the argument that measures affecting the packaging of their products or encouraging parallel imports facilitate counterfeiting and thus smuggling. This argument appears to have certain legitimacy but, to date, has not been sufficient to actually block the adoption or implementation of proposed measures.
48. On the other hand, it is certain that if standardised packaging, identical for all manufacturers of tobacco products (and which would thus also be adopted by smugglers), were introduced, this would greatly facilitate counterfeiting. In the absence of the slightest distinctive sign, logo, ornamentation, particular shade, colour, typeface, etc. to be reproduced, copiers and pirates would have to make minimal efforts. In addition, it would be practically impossible for a customs agent or law enforcement official to distinguish real goods from imitations, thus undermining the efforts made to date by the customs authorities, notably to put in place an effective policy to fight counterfeiting. This increase in smuggling would also obviously increase the risks associated with the scourge of counterfeiting, notably with regard to respect for the legislation on the composition and monitoring of tobacco products.
49. Claiming that the elimination of all use of distinctive, decorative and figurative signs on the packaging of a product as coveted as tobacco would not encourage counterfeiting indicates a profound ignorance of the reality and networks of counterfeiting and illicit trade.
50. APRAM has no choice but to firmly oppose any initiative or proposal that would have the effect of encouraging, directly or indirectly, counterfeiting and, consequently, organised crime. The UK Department of Health and Devolved Administrations as well as any other competent authorities are thus urged to reflect on the foreseeable consequences of such a proposal.

* * *

7. CONCLUSION

51. The standardised packaging proposal clearly undermines the substance of trade mark rights and violates various rights, freedoms and higher principles in force in our democratic society, while facilitating counterfeiting and smuggling. Consequently, APRAM asks the UK Department of Health and Devolved Administrations to reject and definitively abandon this proposal. There are surely many other options to achieve the indicated public health objective, without trampling on the rights of trade mark holders.

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