

Why plain packaging would violate the United Kingdom's international obligations under trade mark law

In March 2011, the United Kingdom Government indicated that it would consult on the introduction of plain packaging for tobacco products by the end of 2011. Plain or generic packaging would require cigarette packs to look identical in all respects. Plain packaging would prevent the use of all trade marks on cigarette packs with the exception of the brand name, which, however, would have to appear in uniform size and font.

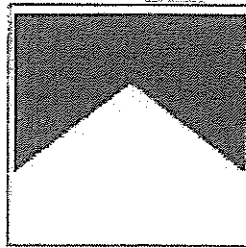
Philip Morris International (PMI) has asked Bird & Bird to analyse such a measure with a view to the United Kingdom's obligations under international trade mark law. This paper was drafted for PMI to share with external stakeholders.

Plain packaging ignores the functions of trade marks and conflicts with basic trade mark principles, in particular the trade mark owner's right to use a trade mark. Indeed, plain packaging would deprive tobacco companies of all meaningful use of their trade marks. Our assessment is that plain packaging would violate certain trade mark provisions in the Agreement on Trade Related Aspects of Intellectual Property (TRIPS) and the Paris Convention for the Protection of Industrial Property. This would put the United Kingdom in breach of its international treaty obligations, exposing it to dispute resolution proceedings and sanctions within the framework of the World Trade Organisation (WTO). These findings are without prejudice to the position that PMI might adopt in response to an actual proposal or legislation in the future.

The functions of trade marks include the positive right to use them

1. Word marks are not the only type of trade mark; many brands consist of logos, devices, colours, combinations of colours and shapes. Indeed, a considerable number of trade marks registered and used by tobacco companies consist not of words but of figurative elements and colours. The UK public, for example, recognise the colour and the shape of the famous "roof top" mark associated with the *Marlboro* range because it has consistently been used and continues to be used here by PMI and/or its affiliates on such cigarette packs (see the images below, both of which are registered as UK trade marks at the UK Trade Marks Registry). In the language of

trade mark law, this ability to act as a “badge of origin” or “source” is called the “essential function” of a trade mark.



2. A trade mark is also a guarantee of quality so a customer will always know that he will be getting a consistent high quality product when he buys a pack of *Marlboro* cigarettes. This quality function is accepted by the Courts in the United Kingdom and the Court of Justice of the European Union as another function of a trade mark. Other accepted trade mark functions include those of communication, investment and advertising. The Court of Justice has confirmed that the “exclusive rights” in a trade mark are conferred to ensure that the trade mark can fulfil these functions, and therefore the Court has emphasised the real objective of owning a trade mark, that is, for the owner to make **commercial use** of the mark. Thus the owner has the exclusive right , amongst others, to:
 - identify his goods using the trade mark;
 - put those goods on the market for the first time;
 - use the trade mark as a means to convey messages about the goods, their quality and other characteristics; and
 - take action against third parties who are infringing his rights, including those wishing to take unfair advantage of the status and reputation of the trade mark by selling products illegally bearing the same or a similar mark.
3. To fulfil these functions, in particular to enable customers to easily identify a given product, a trade mark grants a **positive right** to its owner – the right to use the trade mark. Without use a trade mark cannot fulfil its functions. In addition to such positive right, trade marks grant the owner the right to protect himself against infringements. The negative right to protect the owner against infringers is

sometimes misrepresented as the only right granted to a trade mark owner. However, this misrepresentation disregards the fact that a trade mark cannot meet its intended functions without the right to use the mark.

4. Further, the scope of the right to bring an infringement action itself depends critically on the use that has been made of the mark. The more use that has been made of the mark, the more recognised and distinctive it becomes and the wider the scope of protection given to it. Once a mark has gained a reputation through use, it can be protected against activities by competitors and others which might lead to tarnishing or diluting that reputation or which are seen as piggy-backing or free-riding off the reputation of the trade mark.
5. In addition to the property right in the trade mark registration, a ***property right*** exists in the goodwill or reputation which attaches to the mark through the use that is made of it. Therefore, the value of a trade mark to its owner is reflected by the use that has been made and continues to be made of the mark. The trade marks that protect, for example, the *Marlboro* brand, are extremely valuable rights having been used for many years to protect the world's largest selling brand of cigarettes.

Registration and the right to use a trade mark are inherently linked

6. In order to be registered, a mark must be "capable of distinguishing" the goods or services of one manufacturer from the goods or services of another manufacturer. This definition is equivalent to the requirement that a trade mark be able to perform its essential function. In order to meet the essential function of distinguishing goods as well as its other functions, a trade mark has to be used. As the UK's Intellectual Property Office states when commenting on the benefit of registration "Registering your trade mark gives you the ***exclusive right to use*** your mark for the goods and/or services that it covers in the United Kingdom (UK)".
7. This principle is applied in a practical fashion in many jurisdictions which, like the United Kingdom, have an explicit "use it or lose it" rule, i.e. a trade mark is subject to revocation where it has not been used for five years unless there are proper reasons for non-use. This requirement makes it easier to "declutter" trade marks registries;

this is important because trade marks, if they preserve their validity and if the owner continues to pay maintenance fees, have the capacity, unlike all other forms of intellectual property, of lasting forever. Thus continuous use of a trade mark is essential for a trade mark owner to maintain his rights in it. Additionally, the right to oppose the registration of a trade mark or to challenge a registered mark's validity based on an earlier trade mark requires use of that earlier mark within the last five years.

Plain packaging would render trade marks meaningless

8. A plain packaging requirement would deprive tobacco companies from all meaningful use of their marks. Again, stylised words, logos, devices, colours or any other packaging design could not be applied at all to the packs, while the word mark would have to appear in the prescribed standardised font and size. Without being able to distinguish their products from those of their competitors, tobacco companies would be deprived of the functions of their trade marks and therefore the effective benefit of the registration of such marks. The registrations would lose all commercial importance, the goodwill would evaporate and the rights become valueless.

Plain packaging violates Article 15(4) of the TRIPS Agreement and Article 7 of the Paris Convention

9. Article 15(4) of TRIPS and Article 7 of the Paris Convention, which are similarly worded, require that a trade mark shall be registered ***irrespective of the nature*** of the goods to which the trade mark is to be applied.
10. As explained above, registration and the right to use a trade mark are inherently linked. In TRIPS, this is seen, for example, in Article 15(1) which requires that a trade mark is "capable of distinguishing". In the Paris Convention, this can be seen in Article 6***quinquies***(B.2) which provides that trade marks may not be denied registration except, *inter alia*, when they are devoid of distinctive character. This imposes the implicit requirement that a trade mark must be capable of distinguishing to be registrable.

11. The position is also confirmed by Article 15(3) of TRIPS which provides that members may make “registrability depend on use”. As Article 15(4) states that registration cannot be denied based on the goods in question, those two provisions would only be compatible if members were required to allow a trade mark proprietor to use a mark.
12. The proposition that there is a necessary correlation between registration and use does not, of course, mean that there can be no restrictions on the sale of any type of goods the subject of a trade mark. Article 19 of TRIPS specifically caters for protecting and maintaining marks where the sale of the goods is unlawful. It does not, however, cater for cases where the use of the mark itself – on lawful goods – is unlawful as would be the case under plain packaging measures. Article 19 does not provide an exception to Article 15(4).
13. Furthermore, the permitted grounds for refusing registration do not apply. Article 6*quinquies*(B.2) of the Paris Convention referred to above, sets out the only grounds upon which a mark can be refused registration or be invalidated. The final ground allows a mark to be refused registration when it is contrary to morality and public order. Denying registration to marks on this ground is only related to the nature of the mark itself, and not to the product to which the mark is affixed. Accordingly, as tobacco marks can be lawfully registered in accordance with Article 6*quinquies* they can be lawfully used under Article 7 of the Paris Convention and Article 15(4) of TRIPS.
14. Some commentators have taken the view that registration can be separated from use and that TRIPS and the Paris Convention relate to registration only, i.e. they only concern the grant of a “paper right”. Such a view is based on a misconception of basic trade mark law principles key amongst which is the principle that the functions of a registered trade mark includes the positive right to use it. It is also based on an overly literal and illogical reading of TRIPS and the Paris Convention in disregard of the inherent link between trade mark registration and use as explained above.

Plain packaging violates Article 20 of the TRIPS Agreement

15. Article 20 of TRIPS states that a trade mark shall not be *unjustifiably encumbered* by special requirements.
16. A plain packaging measure would create two sorts of special requirements, both listed as illegitimate in Article 20: first, a requirement to use a trade mark in *a special form*; secondly, a requirement that the mark be used in a way which is *detrimental to its origin function*. Plain packaging would require use of the word mark in a specified font and size, i.e. require use of a trade mark in special form. The second requirement is better understood once put within the context of trade mark law which has long recognised that the more distinctive a trade mark the more effective it will be at indicating origin to consumers. The plain packaging requirements would mean that some trade marks would be totally unusable, most notably device marks (logos, colours and combinations) and stylised word marks. A complete prohibition on using the mark *a fortiori* is also an encumbrance.
17. Finally, one interpretation of Article 20 is that the special requirements expressly set out in it cannot be justified in any circumstances. This would mean that plain packaging could never be justified. Even if that interpretation were incorrect and the special requirements set out in Article 20 could be justified, it would be necessary to establish that the special requirement was justifiable, meaning that it must be proved to be reasonable and proportionate and *based on evidence* as opposed to speculation and assertion. Any encumbrance would have to be proportionate as to the loss of distinctiveness of the trade marks, i.e. an encumbrance can never prevent at least reasonable use of the trade mark. A restriction which causes a disproportionate and intolerable interference with the substance of a trade mark right is not permitted. Plain packaging would undermine the entire purpose of the trade mark and cannot be justified for that reason alone.
18. The importance of brands not only to the competitiveness of the tobacco market, but also to the individual tobacco companies, further confirms that a measure which utterly destroys that brand by reason of a plain packaging requirement cannot be justified. As advertising is forbidden to tobacco companies, the only way for them to

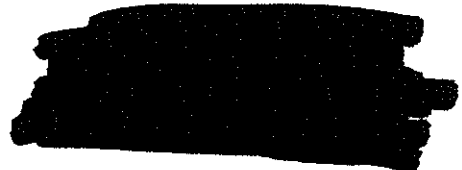
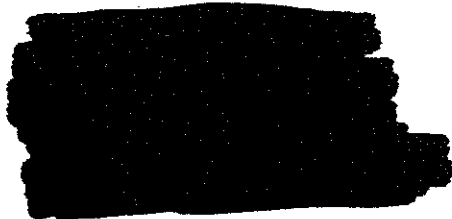
compete for a share of the adult smokers' market is by using their brands on packaging. Therefore, restrictions on the use of their trade marks would have even more serious consequences than might be the case in other markets.

Why Article 8 of the TRIPS Agreement does not affect the above analysis

19. TRIPS acknowledges the importance of public health in Article 8(1) which allows member countries to adopt measures necessary to protect public health when formulating or amending their laws. However, this is subject to the overriding express caveat that such measures are consistent with the other provisions of the TRIPS Agreement, such as Articles 15(4) and 20. Article 8 thus cannot be used to "disapply" particular provisions of TRIPS on the grounds of public health.

Conclusion

20. Plain packaging conflicts with basic trade mark law principles by eliminating all meaningful use of trade marks on tobacco products. The United Kingdom will be in breach of its international obligations under TRIPS and the Paris Convention if it were to adopt such proposals.



Bird & Bird LLP
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