



MARQUES' submission on EU Commission's proposal for a revised Tobacco Products Directive (TPD)

Executive summary

Following the publication of the Commission's proposal for the revised EU Tobacco Products, Directive ("TPD"), **MARQUES** wishes to express to all EU Members States and the Members of the European Parliament its concerns regarding some of the TPD's provisions that will have a severe impact on Intellectual Property Rights should these provisions be accepted.

As a European association of Intellectual Property ("IP") rights holders, and particularly trade mark owners, **MARQUES** is very concerned over legislation demanding the removal or diminution of trade marks and logos from product packaging as required by plain or standardised packaging or measures tantamount to standardised packaging.

IP rights are the cornerstone of economic activity providing significant value to their owners and the wider wholesale and retail economy. IP provides significant recognition-value directly to the consumers as well, by serving as indicators of the source or manufacturer of products. Therefore, it is important to protect IP rights at both the domestic and international levels to enable them to continue to fulfil these important economic functions.

While **MARQUES** fully supports measures to achieve public health objectives, **MARQUES** respectfully submits that removal and deprivation of IP rights earned via substantial investment is unjustified and contrary to the general principles of property ownership. The issue is, therefore, a matter of concern to trade mark owners across the EU, as well as worldwide. Trade mark owners rightfully expect all public health objectives to be properly balanced with an appropriate protection of their proprietary rights. The EU legal framework, as well as additional international intellectual property treaties and obligations, require the protection of IP rights unless a public health concern clearly demonstrates an overriding benefit to the public. It is also clear that IP in and of itself is not the source of any public health concern.

Many measures contained in the proposed revised TPD would undermine the intellectual property protection system as a whole by diminishing and destroying the value of trade marks used by companies that operate in the European Union. Indeed, the introduction of any excessive restriction to IP rights on the labelling and packaging deprives one industry sector of its IP rights and sets an undesired legislative precedent for other industries. It would also deprive consumers of their basic right to be properly and correctly informed about the source and manufacturer of any goods that are for sale.

MARQUES has previously expressed its concerns and objections over plain packaging in December 2010 before the European Commission’s DG SANCO, in the framework of the public consultation on the possible revision of the Tobacco Products Directive 2001/37/EC. In April 2012, **MARQUES** and a group of sister associations signed a joint statement to object to the adoption of restrictive legislation or policy options frequently referred to as “generic” or “plain packaging”. In July 2012, **MARQUES** responded to the UK Department of Health (DoH) “Consultation on standardised packaging of tobacco products” launched on 16 April 2012. On 10 December 2012, **MARQUES** and a group of European sister associations expressed their concerns to Commissioner Barnier about the revised TPD in the framework of the inter-service consultation of the European Commission. In its press statement of 19 December 2012, **MARQUES** reiterated its concerns on the proposed TPD. Finally, in January 2013, **MARQUES** submitted its comments before the Republic of Ireland’s Department of Health “Public Consultation on a proposal for an EU Directive on the Tobacco Products Directive” launched on 20 December 2012. All of these documents are enclosed in copy for due consideration.

MARQUES reaffirms its position with regard to the labelling and packaging of tobacco products and strongly opposes severe restrictions to the normal use of trade marks and designs and opposes the destruction of patents and patent marking (via standardised packaging, including excessive health warnings and the possibility for the member states to adopt plain packaging).

The European Commission’s TPD proposal

The Commission’s proposal envisages standardised packaging, and a subsequent diminishing and destruction of IP rights, according to the following provisions:

- Combined picture and text health warnings covering 75% of the front and back of the packs starting from top edge of the packs (Article 9) (c), (e));
- General warning and information message covering 50% of each lateral side of the pack (Article 8);
- Other requirements for packages, such as cuboid shapes, minimum numbers of cigarettes per package, fixed dimensions for packets of cigarettes (predefined minimum size, height, width and depth, cuboid shape and mechanism for opening and closing the pack), place of stamps, no promotional element and for products (size of cigarettes), (para 3.2 of the Explanatory Memorandum, Articles 7, 9.1.(g), 12 and 13);
- Restrictions and prohibition on the use of trade marks and other consumer information on the remaining space on the pack (Article 12);
- Possibility for member states to adopt plain packaging (recital 41 , 3.2 Memorandum, Article 24.3)).
- Ban of certain products such as slim cigarettes (Article 12.2), menthol cigarettes (Article 6 . 1 in conjunction with Article 2.4), use of flavouring or tobacco in filters, papers (Article 6. 5).

The proposal will drastically reduce the space available for trademarks, and product descriptions on the principal surfaces to 25% prior to any other markings such as tax stamps (Article 7) and the safety device of a minimum of 1 square cm (Article 14.8). Such a loss of available printing area will in practice preclude the normal use of the trade marks in commerce and will make it extremely difficult for consumers to identify brands and to distinguish among brands. These provisions also prevent trade mark owners from fully using and maintaining their trade marks, both of which actions are imperative for the protection of trade marks.

Further, the proposed size of health warnings does not conform with the European Court's and Advocate General Geelhoed's statement that health warnings must leave "sufficient space" available to trade mark owners so "normal usage" remains "possible" (*Case C-491/01 Secretary of State for Health, ex parte British American Tobacco (Investments) Ltd and Imperial Tobacco Ltd* [2002], paragraph 132.).

The requirement of Article 9.1(e) for the combined warnings to be positioned at the top edge of the standardised packet, would also have the severe effect of prohibiting any use of figurative trade marks. Such positioning would prohibit the display of trade marks on the space left at the bottom (due to their configurations) or risk distortion of their representation. As a consequence, some trade marks will completely disappear or will have to be presented in an extremely diluted form.

The standardization of the packaging and the product will also have the effect to render useless registered patents and industrial design rights. The prohibition of any other pack shape (Article 13.1) than "cuboid shape" will affect design rights existing for different pack styles. The prescription of a certain opening mechanism (Article 13.2) will render useless patented special opening devices. Article 6.5 further in essence contains an innovation ban, prohibiting technical features that are subject to IP protection (e.g. capsule filters).

The proposal offers the Member States the possibility to adopt more extensive standardization of the packaging (Article 24.3) in such terms that it could result in a 100% plain packaging, which *de facto* means a destruction of certain brands. This far stretching elimination of brands from a product packaging is not consistent with the European Union's internal market competence. Under the internal market competence, the Union may take measures that further the establishment and functioning of the internal market (Article 114 Treaty on the Functioning of the European Union). One aspect of the internal market is undistorted competition and trade marks are –in the words of the Court of Justice (*Case C-10/89 SA CNL-SUCAL NV v Hag GF AG* [1990] ECR I-3711, para. 13) an essential element of undistorted competition". Banning trademarks therefore cannot do anything to further the internal market. **MARQUES** believes that the Union does not have the competence to take such broad de-branding measures. It also seems contradictory to provide for harmonisation of Member States laws in order to further the internal market, but then allow Member States to unilaterally take measures that stand in contrast to such harmonisation.

The proposal contains many delegating powers to the Commission to adopt certain acts in order to avoid the involvement of Parliament and Council through the "normal" legislative process. According to the Lisbon Treaty, "A legislative act may delegate to the Commission the power to adopt non-legislative acts of general application to supplement or amend certain **non-**

essential elements of the legislative act. The objectives, content, scope and duration of the delegation of power shall be explicitly defined in the legislative acts.”

While **MARQUES** is not opposed to the delegation of powers *per se*, the delegated powers go beyond the “non-essential” For example, delegated acts in connection with the position and proportions of health warnings, and the definition of additional rules for the size and shape of the packaging concern “essential” elements of the proposal (Articles 8, 9, 13). These proposed delegated acts go beyond the allowed scope of delegations as provided for in the Treaty of Lisbon and undermine the certainty as to the rights associated with IP .

The proposal will also put the EU in breach of the TRIPS and the TBT Agreement (Technical Barriers to Trade) by placing unprecedented barriers to international trade and eliminating and/or severely restricting many forms of IP rights, including trade marks, patents and industrial design rights. Additionally, the standardization rules will also place the EU in breach of its free trade agreement obligations and will weaken the EU’s position in any future bilateral negotiations because the IP Chapter is an important part of any trade discussions.

It should also be noted that trade marks are protected under national laws of the EU Member States which implement the provisions of the Harmonisation Directive (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). The EU law also 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 (Council Regulation (EC) No 207/2009 of 26 February 2009 on the Community trade mark).

Proposed standardised packaging is an attack to the role and value of IP rights

IP rights are a cornerstone of the international economic system and of free markets. They are essential to safeguarding the public faith and the interests of consumers in goods and services.

Trade marks and other IP rights are relied upon by consumers as signposts of particular and genuine goods and services coming from particular manufacturers/brand owners. This is true for both word marks and figurative marks (graphic devices), and for signs or devices resulting from the combination of the two, as well as so called “*non-traditional*” trade marks such as packaging shapes and colours *per se*.

Trade marks indicate the source and origin of goods and services to assure consumers of the quality of the products that they purchase or that they would consider purchasing. This fundamental function cannot be fulfilled if trade marks are not recognisable, or are unavailable to consumers in the selection process of a product. The inability to recognize a brand, trade dress, or trade mark on a product would lead to consumer confusion, and therefore diminish the goodwill established in that brand. This goodwill is earned through considerable investment, use and effort, often, over a significant period of time. Importantly, the inability to call for or recognise a brand also takes away from the consumer’s “freedom of choice” associated with the free market

Accordingly, trade marks play a crucial role in society as they facilitate the consumers' ability to distinguish products from one enterprise that they know and trust from those of another enterprise, bearing in mind that recognition and trust differ greatly from mere potential enticement or marketing. Therefore, consumers must be given the ability to be clearly and fully informed about all products and services which are lawfully sold in the market place.

MARQUES has very strong concerns that the European Commission's proposal - which precludes - whether fully or partially - brand owners from making legitimate use of their trade marks, would amount to an indirect legislative expropriation of private IP rights and, as a consequence, lead to the diminution and possible expungement of their property rights. Such proposals will not only adversely affect IP rights holders but also consumers and the market, with consequential negative impacts on the economy as a whole. Important public policy objectives involving any legislative initiatives should recognise and maintain a proper and appropriate balance with legitimate IP rights and other proprietary rights.

Proposed standardised packaging conflicts with EU and International laws

MARQUES considers that the proposed standardisation of packaging for tobacco products would place the EU Member States and the EU in breach of EU law as well as their International Treaty obligations with regard to IP rights.

The EU and the EU 'Member States are members of the WTO and are therefore subject to the obligations imposed by the WTOs Agreements on Trade-Related Aspects of Intellectual Property Rights (TRIPS) and on Technical Barriers to Trade (TBT). They are also signatories of the Paris Convention for the Protection of Industrial Property (Paris Convention). In addition, the EU and it's Member States must follow the obligations set out by the Treaty on the European Union (TEU), the Treaty on the Functioning of the European Union (TFEU) the Charter of Fundamental Rights of the European Union (Charter) and the First Protocol to the European Convention on Human Rights (ECHR).

In this context, standardised packaging for tobacco products would not allow the legitimate use of figurative or word trade marks, either separately or in combination, since use of figurative marks would be prohibited and use of word trade marks would be highly restricted and diminished. **MARQUES** therefore submits that such restrictions on both figurative and word trade marks would be in direct conflict with Article 20 of TRIPS which protects trade marks against being "*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...*".

Furthermore, TRIPS requires that any encumbrance must be demonstrably justified to protect public health and nutrition. In this context, it should be considered that there appears to be no authoritative or unequivocal evidence that introducing standardised packaging would help diminish tobacco consumption. The Commission Impact Assessment itself would not provide satisfactory evidence to demonstrate that the proposed provisions will enable the reduction of tobacco consumption or will improve the internal market. There is therefore no justification for the severe restrictions of use or the entire removal of trade marks on tobacco packaging.

The TPD proposal also would unjustifiably discriminate between like products or in other words products considered to be substitutes for each other, of different WTO Members (Article 2.1 of the TBT Agreement). For example, while certain smokeless such as nasal and chewing tobacco can be freely marketed in the whole of the EU, tobacco for oral use (so-called snus) remains banned in the whole of the EU (apart from Sweden who obtained an exception in its accession treaty). Many of the proposed measures also appear more restrictive than necessary because (i) they lack scientific support, (ii) they fail to contribute to the desired policy objectives and (iii) the EU failed to consider “reasonably available less trade restrictive alternative measures” (Article 2.2 of the TBT Agreement). For example, why did the Commission not consider 50/50% health warnings as an alternative policy option to the proposed 75/75% health warnings for the front and back of the pack? Such sized health warnings would affect trade marks much less, but the Commission’s Impact Assessment does not even consider such as option.

MARQUES also submits that IP rights (including registered trade marks and their associated goodwill) are forms of “property” under EU legislation. The CTM Regulation also recognises trade marks as objects of property, and accordingly contains relevant provisions (Articles 16 to 24). By prohibiting an owner from normal use of its trade marks, standardised packaging amounts to a deprivation of a brand owners’ private IP rights in breach of these property rights. It may also breach other fundamental human rights recognised by EU law such as the right to commercial freedom, the right to freedom of speech, the right to receive information, the right to pursue a trade or business and the consumer’s freedom of choice. It would also violate the free movement of goods inside the European Union.

It is relevant to mention that the Commission’s proposal itself refers to the EU Charter of fundamental Rights (freedom of expression and information (article 11), freedom of economic operators to conduct business (article 16) and right to property (article 17)) and states that these rights are affected by the proposal. (paragraph 3.9.4).

Proposed standardised packaging will foster illicit trade

Counterfeit and illegal tobacco products are the most seized counterfeit product by customs authorities in the EU. Standardised packaging will increase this counterfeit activity by making counterfeit packaging even easier to reproduce: removing figurative devices and/or stylized word marks from packaging enables lower-cost and less sophisticated printing techniques to be used.

The lack of branding on packaging will also make the task of customs authorities considerably more difficult because it will be inevitably harder to distinguish counterfeit goods from legitimate goods. It may also remove criminal sanctions for trade mark enforcement, a key tool for manufacturers in the battle against counterfeits.

As a consequence, the growth of counterfeit trade will undermine legitimate distribution channels and governmental controls on sales and taxes. It will also increase the burdens on already overstretched public agencies working to enforce intellectual property protection.

A need for balance between public health objectives and private interests

MARQUES acknowledges the Commission's public health objectives, and fully supports these objectives. Nonetheless, **MARQUES** respectfully submits that depriving trade mark owners of lawful rights, gained through substantial investment, is unjustified and contrary to the general principles of property ownership.

Standardised packaging according to the Commission's proposed provisions would deny one sector of industry the benefits of its IP rights, and would be a dangerous precedent for the potential loss of rights in other industries. **MARQUES** is aware that other sectors products are also currently being scrutinised. As an association representing the interests of brand owners, the membership of which crosses all industry lines, **MARQUES** is concerned that implementing standardised packaging for tobacco products could have a spill-over or domino effect on other products and industries, especially those which are already subject to specific mandatory constraints such as alcohol, food, medicines, confectionary, beverage, cosmetics and automotives. In fact, discussions held during the March 2013 TBT committee meeting focused on proposed legislation similar in nature to the proposals for tobacco products: viz. Chile STOP signs on junk food, Russian Federation's draft on Technical Regulation of Alcohol Drinks Safety and Israel's warning regulations on alcoholic beverages).

This issue is, therefore, a matter of major concern to **MARQUES** and the trade mark owners that it represents. It is a fundamental right of trade mark owners to expect that their proprietary rights are recognised and appropriately protected against any public policy objective so that a proper balance between public and private is maintained.

Conclusion

In representing brand owners interests, **MARQUES** is focused on ensuring that national, and international treaties, laws and regulations, as they relate to trade marks and related IP rights are all principled, balanced and coherent. Accordingly, **MARQUES** is very concerned about the consequences of severe restrictions imposed upon the normal use of trade marks which would occur with plain packaging, excessive health warnings, and standardized packs and products.

IP rights are a vital element to Europe's innovation and growth, as well as to job creation and ultimately enhancing the internal market. Trade marks strongly support the European economic system and provide significant value to their owners, as well as being an essential safeguard to the interests of consumers in distinguishing one brand from another and distinguishing legitimate brands from counterfeits.

MARQUES respectfully requests the Member States and the European Parliament to:

- (1) Reject any attempt to severely undermine trade marks and related IP rights because of the consequential impact upon; **Brand Owners** (loss of value and rights to use their IP), and their **Consumers** (loss of freedom of choice, inability to distinguish one brand from another and a legitimate brand from a counterfeit), **Governments** (non-compliance with international treaty obligations and loss of revenue undermined by increased ease of

counterfeiting) and the **Economy** (stifled innovation and job creation, and barriers to free trade and the internal market);

- (2) Take a balanced approach to the implementation of public policy initiatives because the current proposals would have a negative impact upon trade marks and related IP rights through excessive restrictions on labelling, designs, packaging and products; and
- (3) Take a broad perspective on public policy initiatives of the Commission beyond their application to one industry (in this case, tobacco) because of the potential impact upon other sectors.

Submitted on 26th April 2013



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About **MARQUES**

MARQUES is the European association representing brand owners' interests. The **MARQUES** mission is to be the trusted voice for brand owners.

Established in 1986 and later incorporated in the United Kingdom as a not-for-profit company limited by guarantee, **MARQUES** unites European and international brand owners across all product sectors to address issues associated with the use, protection and value of IP rights, as these are vital to innovation, growth and job creation, which ultimately enhance internal markets. Its membership crosses all industry lines and includes brand owners and IP professionals in more than 80 countries. The trade mark owners represented in the Association together own more than two million trade marks which are relied upon by consumers as signposts of genuine goods and services.

MARQUES is an accredited organisation before the Office for Harmonisation in the Internal Market (OHIM), appointed observer at the OHIM Administrative Board and Budget Committee, an official non-governmental observer at the World Intellectual Property Organisation and a registered interest representative organisation (ID 97131823590-44) in the Transparency Register set up by the European Parliament and the European Commission, which extends and replaces the former Register of Interest Representatives, opened by the commission in 2008.

An important objective of **MARQUES** is to safeguard the public interest by ensuring the proper protection of trade marks and to preserve the interests of trade mark proprietors with regard to the regime of trade mark protection. **MARQUES** attempts to achieve these objectives by advancing the cause of trade mark laws which protect the public from deception and confusion. Intellectual property rights are a crucial aspect of the global economy and trade marks play a significant role in free trade and competition in the marketplace.

More information about **MARQUES** and its initiatives is available at www.marques.org.