

Tobacco Packs Consultation
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CONFIRMATION BY POST

8 August 2012

Dear Sirs,

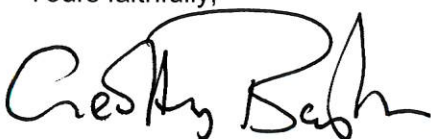
Consultation on Standardised Packaging of Tobacco Products

I write on behalf of the UK Group of the International Association for the Protection of Intellectual Property (AIPPI) in connection with the Consultation on Standardised Packaging of Tobacco Products.

AIPPI is a long established international organisation concerned with the protection of intellectual property rights of all kinds and has a UK group of well over three hundred members who take a very active interest in developments in intellectual property.

The consultation questions set out at Appendix A to the consultation include question 6, which asks whether a requirement to standardise tobacco packaging as proposed would have legal complications. It is that question alone which AIPPI members are competent to answer and to that end, the proposals set out in the consultation paper for standardised packaging of tobacco products have been carefully considered by a working group and a paper setting out their views on the legal implications of the proposals and their conclusions has been prepared. That paper is attached and I should be grateful if its content could be taken into consideration in the continuing consultation process on this subject.

Yours faithfully,



Geoffrey C. Bayliss
Deputy President AIPPI UK

RESPONSE OF AIPPI UK TO THE DEPARTMENT OF HEALTH CONSULTATION ON STANDARDISED PACKAGING OF TOBACCO PRODUCTS

INTRODUCTION

1. This Response to the Consultation is made on behalf of the UK Group of the International Association for the Protection of Intellectual Property ('AIPPI').
2. AIPPI is an international organisation concerned with the protection of intellectual property rights of all kinds. It dates back to 1897, shortly after the signature of the Paris Convention for the Protection of Industrial Property in the year 1883, and is a politically neutral, non-profit organization, domiciled in Switzerland which currently has almost 9000 Members representing more than 100 countries. AIPPI operates by conducting studies of existing national laws and proposes measures to achieve harmonisation of these laws on an international basis. In this context AIPPI has become increasingly concerned with issues concerning the enforcement of intellectual property rights.
3. A further role of AIPPI is to promote the protection of intellectual property on a national and international basis, to study and compare existing and new laws and to propose improvements thereto. AIPPI pursues these objectives, in part, by working for the development, expansion and improvement of international and regional treaties and agreements and also of national laws relating to intellectual property.
4. In its long history, AIPPI has adopted more than 700 Resolutions and Reports. The presentation of these Resolutions and Reports to international Governmental Organizations, in particular the World Intellectual Property Organisation (WIPO), has contributed considerably to the development, improvement and harmonization of the international protection of Intellectual Property.
5. The UK Group ('AIPPI UK') has a membership in excess of three hundred professional people practising in the field of intellectual property law including barristers, solicitors, patent attorneys and trade mark attorneys.
6. As an independent organisation, AIPPI UK does not represent any particular person or organisation. However, many members of AIPPI UK are actively advising various interested parties on the subject of this Consultation; but this response has been drafted by those with a little or no active present involvement and is intended to present the legal issues relating to intellectual property ("IP") in a neutral and balanced way.
7. This response is directed in particular to the IP issues affected by Question 6 of the Response Form:

"Do you believe that requiring standardised tobacco packaging would have legal implications?"

THE 'STANDARD PACKAGING' PROPOSALS

8. The proposals at §4.6 of the Consultation are as follows:
 - (a) All internal and external packaging to be in a prescribed colour/s.

- (b) All text on the pack, including brand names, to be in a standard colour and typeface.
 - (c) No branding, advertising or promotion to be permitted on the outside or inside of packs, or attached to the package, or on individual tobacco products themselves. For this purpose 'branding' includes logos, colours or other features associated with a tobacco brand.
 - (d) Any foils within a pack to be of a standard format and colour with no text permitted.
 - (e) Packs to be of a standard shape and opening, and possibly manufactured with particular materials.
 - (f) Any wrapper around the pack to be transparent and colourless, without any other markings visible to the naked eye.
9. Only limited information would be permitted on the packs, for example (i) a brand name; (ii) various product and health information; and, (iii) markings not visible to the naked eye to assist with the identification of genuine, duty-paid products, and to prevent fraud.
10. The effect of these proposals is that the only 'trade mark' that would be permitted to appear on the pack would be the 'brand name' that is a word or words, and it would have to be in the prescribed 'standard' colour and type face, applicable to all products and their manufacturers alike. Therefore all other 'trade marks' which include logos, other design features and indeed whole pack faces (which are often registered as trade marks and/or designs, sometimes without any brand name or other wording), would have to disappear. We have noted the indication, in paragraph 4.7, that the standardised packaging requirements would not be 'necessary' during the course of business solely within the tobacco trade. It is not clear what is intended by this, although we do not believe that it would in any way reduce the impact of the proposals, if implemented, on tobacco trade marks generally.

CONSIDERATIONS RELATING TO ALL INTELLECTUAL PROPERTY RIGHTS

11. Tobacco products are protected by a range of intellectual property rights. For example: the product itself and the packaging may be protected by patents; the shape of the packaging and any associated artistic works may be protected by copyright or design right; and any branding may be protected by registered trade marks (including three dimensional trade marks) or the right to protect any goodwill that might subsist in the use of what are commonly (but inaccurately) called non-registered marks (and which, in the UK, are protected by the common law tort of passing-off).
12. The Consultation is directed principally to only two of these rights, namely the rights associated with branding, be they registered or unregistered. Accordingly, this response will limit itself to addressing the main concerns relating to these branding rights. Further, this response will limit itself to the rights that subsist under national law. In the case of registered trade marks, there are various provisions that govern Community trade marks and international trade marks that have designated the UK, but these provisions are similar to the provisions governing national trade marks.
13. There is a significant difference between a registered trade mark and the protection of goodwill. Broadly, the protection associated with a registered right is obtained by

registration, while the protection relating to goodwill only arises through the use of a mark whether registered or not. Moreover, registered trade marks are governed by detailed legislative provisions at the national and international level; while the protection of goodwill is governed almost exclusively by the common law, *i.e.* case law – which, while being less precise, is more adaptable to changing circumstances.

14. The consequence of the first difference is that if use is prohibited then that will directly affect the protection of goodwill; while in the case of registered trade marks the matter is more subtle. The effect of the second difference is that there already exists a detailed statutory scheme that clarifies the likely consequences of any prohibition on use of a registered trade mark; while in the case of the protection of goodwill the matter is less regulated. Therefore, for different reasons, the situation for either right is complicated and not certain.

REGISTERED TRADE MARKS

15. A registered trade mark may be obtained for “*any sign capable of being represented graphically which is capable of distinguishing the goods or services of one undertaking from those of other undertakings*”. “*A trade mark may, in particular, consist of words (including personal names), designs, letters, numerals or the shape of goods or their packaging*” (section 1(1) of the Trade Marks Act 1994 (the “TMA 1994”). A registered trade mark (and any application for a trade mark that is sought to be registered) is a property right (TMA 1994 s 2(1)). The rights conferred by registration are that the proprietor has the exclusive right to prevent the use of a sign without his consent that would otherwise infringe his trade mark (TMA 1994 ss 9 & 10). It is important to note that registration does not confer any right to use the trade mark – even though there may be adverse consequences for the registration if a mark is not put to genuine use. It is a negative right to stop others doing something, rather than a positive right to do something.
16. From the point of view of the proposals under consideration, the most important are word marks, designs, letters and numerals, colour marks and possibly three dimensional trade marks. The definition of a ‘trade mark’ is derived from the EU Directive for the Harmonisation of trade mark law in the European Union. The Community Trade Mark Regulation uses a definition of a ‘trade mark’ which is essentially the same.
17. The essential purpose of a trade mark is therefore to distinguish the products of one manufacturer from those of others and, as has been emphasised by the Court of Justice of the European Union, to enable consumers to recognise products coming from a particular trade source.
18. The 1994 Act, s 2, (again in line with the Directive), provides that a registered trade mark is a right of property. Furthermore, the European Court of Human Rights has held (in the case of *Anheuser-Busch v Portugal*), that an application to register a trade mark is a right of property, within Article 1 of the First Protocol to the European Convention on Human Rights. The fact that a registered trade mark is a property right is reconfirmed in s 22 of the 1994 Act, which is followed by other provisions relating to registered trade marks as objects of property. Registered trade marks can be, and sometimes are, used as security for loans from banks. Community Trade Marks also are recognised as rights of property. This is made clear in the Community Trade Mark Regulation (207/2009), in Section 4, Articles 16 to 24.

19. Subject to two caveats that are discussed in more detail below, this negative right to stop others infringing the registered trade mark would not be directly affected by any prohibition on the right to use the trade mark itself, as the registration could still be enforced against unlicensed third party use.
20. The first caveat relates to the possibility of revoking the registration for a trade mark, because it has not been put to genuine use for a period of five years or more.
21. In this context, it is noted that the Consultation states (at §4.7):

“ ... we do not believe that standardised packaging requirements would be necessary during the course of business solely within the tobacco trade. This means that brand names, colours and logos would still be allowed to be used openly within the tobacco trade. However, tobacco products that are made available for sale to the public, or that could be visible to the public, would need to meet the requirements set out in paragraph 4.6.”
22. It is unclear whether such permitted use would be sufficient to maintain a registration as such use solely in the “*tobacco trade*” might not accord with the requirements elaborated in the current case law of the Court of Justice of the European Union. In any event, it is possible that any such use in the “*tobacco trade*” would not encompass the full range of trade marks that are currently registered to purveyors of tobacco products, and so would not act to save all registrations threatened by revocation for reasons of non-use.
23. Many registered trade marks for tobacco products “*consist of words (including personal names), ... letters, numerals*” that are registered without regard to any particular format or stylisation. As such, the use of such brand names in “*a standard colour and typeface*” would have no direct effect upon their registration as that is not dependent upon such features. This means that if those marks were only used in a “*standard colour and typeface*” the registration could be maintained.
24. However, there are many registered trade marks for tobacco products that “*consist of words (including personal names), ... letters, numerals*” that are registered in a particular format or stylisation, and there are also many registered trade marks that “*consist of designs, ... or the shape of ... their packaging*”. Clearly, if all branding and the packaging are to be “*in a standard colour and typeface*” with “*no branding, advertising or promotion to be permitted on the outside or inside of packs*” and the packaging to be “*of a standard shape and opening*” then those rights might be affected, because they could not be used in the form in which they were registered or maybe at all (in the case of designs and non-standard shapes of packaging). This would mean that some of those marks could not be used at all, while others could only be used in a significantly different format from that in which the trade mark was registered. In both cases, after five years, the registration potentially would become vulnerable to revocation as the trade mark had not been put to genuine use. There is a saving provision that excuses the non-use if there are proper reasons. It could be argued that legislation that prohibited the use would amount to a proper reason, and so the registration could be preserved.
25. Therefore, on balance, registrations of all types of trade marks ought to be safe (or could be made safe by special provision) from revocation for reasons of non-use.

26. The second caveat relates to the enhanced rights of enforcement that a registration might acquire by reason of its use in the market-place. If a registered trade mark has acquired a reputation amongst the general public by reason of the use that has been made of it, then it is possible to enforce that trade mark in a wider range of circumstances than is possible for a trade mark that is merely registered but has not required a reputation. These enhanced rights are sometimes significant in scope and are directly related to the scale of the reputation that the trade mark has acquired by reason of its use (which would include promotional use as well as use upon the product itself). It is beyond doubt that some trade marks used for tobacco products have been used extensively in the market place, and so have acquired significant enhanced rights as a consequence. These rights would endure while the reputation endures, but over time would be dissipated as the associated reputation expires. Any use in the “*tobacco trade*” itself is unlikely to maintain any reputation that has been acquired amongst the general public. Therefore, this saving provision is unlikely to maintain the *status quo*.
27. Therefore, this right to enhanced enforcement is likely to be diminished, and eventually extinguished, if there is a prohibition on the use in public (as opposed to merely in the “*tobacco trade*”) of registered trade marks.

INTERNATIONAL TREATIES OF RELEVANCE

28. There are various international treaties that are applicable in the UK. Principal amongst them are the Paris Convention for the Protection of Industrial Property (the “Paris Convention”) and the Agreement on Trade-Related Aspects of Intellectual Property Rights (“TRIPS”), which forms Annex 1C to the Marrakesh Agreement Establishing the World Trade Organization.
29. The principal relevant provisions of the Paris Convention read:
- “Article 6quinquies*
- A. (1) Every trademark duly registered in the country of origin shall be accepted for filing and protected as is in the other countries of the Union, subject to the reservations indicated in this Article. ...*
- B. Trademarks covered by this Article may be neither denied registration nor invalidated except in the following cases:*
- (iii) when they are contrary to morality or public order and, in particular, of such a nature as to deceive the public. It is understood that a mark may not be considered contrary to public order for the sole reason that it does not conform to a provision of the legislation on marks, except if such provision itself relates to public order.*
- This provision is subject, however, to the application of [Article 10bis](#).*
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- Article 7*
- 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.”*
30. The UK and Community case law on the prohibition of registration of trade marks that “*are contrary to morality or public order*” is scant, and in any event self-contradictory: the result often appearing to depend more upon the personal perception of the examiner rather than upon the application of some settled, and universally agreed, principles. In particular, there are examples where trade marks have been refused registration where

the trade mark is inherently unobjectionable (in the sense that it was not defamatory or offensive) but appeared to promote some undesirable aim (such as the glorification of terrorism or the consumption of forbidden drugs). However, this provision would seem to have little applicability to the removal of an already registered trade mark for products that inofthemselves are legal.

31. A principal relevant provision of TRIPS is:

“Article 8

1. Members may, in formulating or amending their laws and regulations, adopt measures necessary to protect public health and nutrition, and to promote the public interest in sectors of vital importance to their socio-economic and technological development, provided that such measures are consistent with the provisions of this Agreement.

32. Among the provisions of TRIPS, to which Article 8 refers, are Articles 15 to 21 of TRIPS which are concerned specifically with trade marks. Of particular relevance when considering the ‘standardised packaging’ proposals are Articles 15.2 (which repeats Article 7 of the Paris Convention), and 20 (‘Other Requirements’).

... ..

Article 20

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. This will not preclude a requirement prescribing the use of the trademark identifying the undertaking producing the goods or services along with, but without linking it to, the trademark distinguishing the specific goods or services in question of that undertaking.”

33. It should be noted that there is no absolute prohibition against limiting the “*The use of a trademark in the course of trade*”; rather such use “*shall not be unjustifiably encumbered by special requirements, such as ...use in a special form*”. Further, “*Members may, in formulating or amending their laws and regulations, adopt measures necessary to protect public health*”.
34. The issue then falls to be judged by whether or not the proposed measures are “*justifiable*” and “*necessary*” to achieve the aims that are sought. That becomes an evidential matter that establishes a causative link between one and the other.

THE IMPLICATIONS OF THESE TREATY PROVISIONS

35. It is considered that the word ‘registration’ in Article 7 of the Paris Convention and Article 15.4 of TRIPS does not only refer to the act of putting a trade mark on the register, but also covers the continued registration of the trade mark with the obligation of Member States to provide the means of protection under the law and applicable treaties.
36. We consider that the limitation of trade mark property rights (with a consequent diminution of their value) resulting from the ‘standardised packaging’ proposals, could

constitute encumbrance by ‘special requirements’, and in particular a requirement to “use in a special form or use in a manner detrimental to [the trade mark’s] capability to distinguish the goods of one undertaking from those of other undertakings”. The proposal involves only permitting use of a brand name in a standard colour and typeface, i.e. in a special form. It is possible that the practical result of implementing these requirements could be a detrimental effect on the trade mark’s ability to distinguish goods, thus undermining its very purpose as set out in the EU Directive and the Community Trade Mark Regulation. Although the current proposals would still allow the placing of a ‘brand name’ on the packaging, brand owners would have much less ability to use creative and inherently distinctive marks to distinguish their goods from goods of others, in that trade marks that are not ‘word’ marks (device marks) could be completely prohibited from use altogether depending on how the term “brand name” is interpreted.

37. So far as Article 8 of TRIPS is concerned, its wording indicates clearly that Article 20 (as well as other provisions) must be respected, because any measures must be consistent with such provisions.

THE PROTECTION OF GOODWILL

38. When a business uses a non-registered mark (or more accurately an indicium) in the course of trade to distinguish its goods or services from those of another trader, it thereby acquires a goodwill in that business. Damage to that goodwill caused by another trader who has used (or threatens to use) a sign in the course of business that misrepresents the commercial relationship between that other trader and the owner of the goodwill may be prevented by the common law tort of passing-off.
39. The substantive law relating to this tort is not governed by any legislative provisions (even though certain procedural issues are governed by statute). It is settled case law that the goodwill that has arisen by reason of such use is a property right; but it is equally clear that under English law there is no property right in the indicium itself that was used in the course of trade that gave rise to the protectable goodwill.
40. The indicia that may give rise to a protectable goodwill may be of any sort, *e.g.* words, devices, shape or get-up of the packaging. However, critically, a protectable goodwill will only arise if there has been use of the indicia. If use is stopped, then the goodwill slowly withers away until it finally completely evaporates and may no longer be protected by the tort of passing-off. How long that process takes depends upon the circumstances. Further, if the goodwill is irrevocably abandoned, then it evaporates immediately upon abandonment. It is an open question whether a legislative prohibition upon use would be held by the courts to amount to abandonment – but that would seem harsh, as it was not voluntary.
41. If use is prohibited amongst the general public, then (subject to the point about abandonment) the goodwill would cease to be enforceable after a while. The permitted use amongst the “*tobacco trade*” might preserve the goodwill amongst that target audience, but it is likely that the protection would be held to extend only to the trade customers, and not to the general public. Therefore, there would be a diminution of the original property right.
42. The tort of passing-off is a creation of the common law system, and often the various international treaties do not provide for it precisely in those terms. This is the case for TRIPS, because the protection conferred is to the “trademark”, *i.e.* the indicium itself,

rather than to the associated goodwill, and (as mentioned above) under English law there is no property in the indicium itself.

43. However, the property right in the goodwill is still protectable, but under the provisions of the European Convention on Human Rights. Article 1 to the First Protocol reads:

“Article 1 – Protection of property

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.

The preceding provisions shall not, however, in any way impair the right of a State to enforce such laws as it deems necessary to control the use of property in accordance with the general interest or to secure the payment of taxes or other contributions or penalties.”

Two points arise. First, the protection is conferred upon “*Every natural or legal person*” and so would extend to the protection of the goodwill that is associated with a corporate business, and is not limited to property rights held by natural persons (even though those could also own a goodwill if trading as a sole trader – but that has limited application in the case of tobacco products). Secondly, the prohibition on fettering the rights to “*peaceful enjoyment of his possessions*” is not absolute, but is qualified in similar terms as to those provide under TRIPS for registered trade mark rights, namely “*No one shall be deprived of his possessions except in the public interest ...*”. This introduces a balancing act that involves similar concerns as have already been touched upon earlier for registered trade marks.

OTHER CONSIDERATIONS

44. Another aspect, which is mentioned in the Consultation document, is the risk that the ‘standardised packaging’ proposals might lead to a greater incidence of counterfeit and smuggled tobacco products in the UK market. AIPPI believe that the very nature of the proposals, if implemented, may significantly facilitate both counterfeiting and smuggling of tobacco products. This factor must be taken into consideration when determining whether the proposals are ‘justifiable’ or ‘necessary’ within the Treaty provisions discussed above.

CONCLUSIONS

45. Put simply, a law that says “*you cannot freely use your trade marks on these products*”, may mean that many such rights will be lost. The state requires payment for registration of trade marks and renewal of registrations. Companies spend a considerable amount on the protection of their trade marks, whether registered or not, representing very substantial investments in their businesses. Trade marks are valuable business assets, and where a trade mark has acquired a reputation as a result of use, their owners have rights to protection which extend beyond the products for which the marks are registered.
46. It is clear that certain rights would be fettered if use were restricted. For example, the enhanced protection that accrued to registered trade marks that have a reputation obtained through substantial use and the protection of the goodwill of businesses generated from the use of indicia would both be adversely affected.

47. Any fettering of those rights would need to be justified as being “*necessary*” or in the “*public interest*”, and given the magnitude of the rights that might be affected, it would seem only proportionate that any evidence adduced in order to support any such fettering of those rights is suitably probative and cogent to justify any action that might be taken.
48. The issue raised under Article 20 of TRIPS is whether the ‘encumbrance’ envisaged would be ‘unjustifiable’, and (under Article 8) whether the measures are ‘necessary’ to protect public health. Similar questions probably arise under Article 1 of the First Protocol of the ECHR, which contains a ‘public interest’ exception.
49. The situation relating to registered trade marks and the protection of goodwill is legally complicated. In particular, there is ready scope for unintended consequences – for example (i) a greater incidence of counterfeiting and smuggling of tobacco products; (ii) an impact upon the general provisions of European law relating to the free movement of goods that have lawfully been put on the market in other Member States of the European Union; and, (iii) issues relating to the freedom of speech. These issues have not been examined in this paper. Furthermore we have not considered whether the standard packaging proposal if accepted for the United Kingdom should only be brought into effect if it is a part of a law covering the European Union and EEA.