Plain Packaging – quo vadis?
Legal Perspective
Consumer Perspective

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• Tobacco companies tend to present their products in such a way …

• … as to induce consumers to make purchase decisions

• Packaging is often the means to deliver such messages to consumers
PLAIN PACKAGING

All forms of tobacco branding labelled only with unadorned text

No trademarks, graphics or logos

... except for (i) brand names (displayed in standard font size, colour and location on pack)

... and (ii) consumer info, eg toxic constituents, health warnings

Aim: making appearance of packs unappealing and

... reducing smoking uptake
• WHO Framework Convention on Tobacco Control (FCTC) (entered into force in 2005)
• It provides a framework for tobacco control measures to be implemented
• … in order to reduce prevalence of tobacco use and exposure to tobacco smoke
• Guidelines to Art. 11 FCTC recommend plain packaging
• Australia: 1\textsuperscript{st} country (December 2012)
• Ireland? New Zealand?
• Australia
• Effective December 2012
• High Court confirmed PP is lawful under Australian constitutional law
• Challenged at WTO (Ukraine, Honduras, Dominican Republic, Cuba)
• Challenged by Philip Morris under Honk Kong / Australia Bilateral Investment Agreement
• 19 December 2012
• Proposal for a new EU Tobacco Products Directive
• Commission recommends measures such as
• (i) ban on slim cigarettes
• (ii) ban on menthols and other tobacco products with characterizing flavours
• No Plain Packaging has been recommended
• But minimum size (75%) of pack warnings
Some evidence shows PP is likely to reduce tobacco consumption

(i) by making cigarettes less attractive

(ii) by making health warnings more visible

These studies claim PP – by increasing effectiveness of warnings and reducing misconceptions about risks of smoking - might help in reducing smoking uptake and curbing initiation
Big Tobacco: PP would not be effective; it doesn’t reduce smoking and protect health

Lack of evidence that (i) PP makes cigarettes packs less attractive and that (ii) more visible health warnings and info would induce smoking cessation

Argument based on belief that packaging is just capable of causing brand switching; but it does not induce non-smokers to begin smoking

Thus, with or without PP, smoking population would remain the same
• “Boomerang” effect:
• PP could increase smoking uptake as companies would compete only on prices
• making tobacco cheaper and more affordable
• PP would also encourage counterfeiting by:
  • (i) making it easier to copy packaging
  • (ii) increasing burden on enforcement agencies
• PP is likely to interfere with the two main functions of trademarks:
  • (i) indication of trade origin
  • TMs enable consumers to make educated purchase choices
• PP may threaten such ability
• Both consumers and retailers would get confused
• Arsenal FC v Reed (C-206/01)
• “[...] undertakings must be able to attract and retain customers by the quality of their goods or services, which is made possible only by distinctive signs allowing them to be identified”
• Yet there is no EU law provision which prohibits the adoption of regulatory measures aimed at restricting the use of distinctive elements of trademarks under specific circumstances
• PP may also jeopardise a second function of TMs:
• (ii) “conveyors of messages”
• Often consumers make purchase choices relying on the brand image
• … regardless of the product
• Tobacco TMs recall fanciness, dynamism, adultism
• Tobacco products strongly rely on “brand image”
• PP may also threaten this function
• Sigla v OHIM (2007)

General Court:

• “a mark also acts as means of conveying other messages concerning, inter alia, [...] the images or feelings which it conveys, such as, for example, luxury, lifestyle, exclusivity, adventure, youth. [...] The messages in question [...] confer on that mark a significant value which deserves protection, particularly because, in most cases, the reputation of a mark is the result of considerable effort and investment on the part of its proprietor”

• Yet regulatory measures which have an impact on this function are not expressly prohibited
• Does PP violate trademark rights?

• PP discontents: annihilation of trademark rights

• WTO Panel in *EC - Trademarks and Geographical Indications* (para 7.664):

  “Every trademark owner has a legitimate interest in preserving the distinctiveness, or capacity to distinguish, of its trademark so that it can perform that function. This includes its interest in using its own trademark in connection with the relevant goods and services of its own and authorized undertakings”
• The issue of *negative* / *positive* rights
• Art. 5 Trademark Directive and Art. 9 Trademark Regulation
• IPRs just offer *negative* rights (and not the *positive* right to use TMs, logos, etc.)
• ie just the right to prevent others from exploiting the asset (eg trademark, copyrighted work, invention)
• Use of IP could thus be lawfully restricted by measures adopted on public interest grounds
• eg for protecting public health
• AG Geelhoed in Tobacco Products Directive dispute (Sep. 2002): TM rights are negative
• “the essential substance of a trademark right does not consist in an entitlement as against the authorities to use a trademark unimpeded by provisions of public law. On the contrary, a trademark right is essentially a right enforceable against other individuals if they infringe the use made by the holder”
• PP – a “provision of public law” - formally respects trademark rights as it does not authorize third parties to exploit tobacco signs, but merely consists of a restriction on right owners’ ability to use their own signs
• REVOCATION?
• PP entails removal from packaging of all fancy elements
• Tobacco producers are thus prevented from using elements which are covered by trademark registrations
• Revocation for non use under Artt. 10 and 12 Trademark Directive and Artt. 15 and 51 Trademark Regulation?
• No!
• there are “proper reasons” for non use
• eg: Australian PP law prevents the refusal of TM registration, or its revocation, as the owner is prevented from using it on tobacco products and their packaging
• Unitary effect of the Community Trademark
• Art. 1(2) Trademark Regulation:
  a Community Trademark has “an equal effect throughout the Community: it shall not be registered, transferred or surrendered or be the subject of a decision revoking the rights of the proprietor or declaring it invalid, nor shall its use be prohibited, save in respect of the whole Community”
• PP introduced by just 1 or a few states
• The result would be: preventing the use of tobacco-related Community Trademarks in some countries while allowing them to persist in other EU States
• … which is likely to clash with the unitary character of the Community Trademark system, thus going against the target of achieving a real internal market
Yet it may also be stressed that PP does not entail a total *prohibition* on the use of tobacco trademarks but just a *restriction* thereof.

... as tobacco signs could still be shown on boxes or containers available for wholesale distribution, invoices and other commercial documents as well as displayed in a standardised form on the packs.

Tobacco manufacturers therefore would not be totally prevented from using their signs.

It would follow that the introduction of PP does not interfere with unitary effect.
• PP v fundamental right to property
• Article 17(2) EU Charter of Fundamental Rights:
  • “Intellectual Property shall be protected”
• CJEU case law: the right to property is not an absolute right, but must be considered in relation to its social function
• Restrictions to IP may be imposed provided that the restrictions in fact correspond to objectives of general interest … and do not constitute a disproportionate and intolerable interference
• Thus the use of tobacco trademarks could be restricted by plain packaging …
• … which aims at protecting a public good - HUMAN HEALTH
• PROPORTIONALITY (necessity test)
• Alternative less-IP restrictive measures?
• (i) educational campaigns
• (ii) health information and warnings
• (iii) advertising restrictions
Protocol 1 Article 1 European Convention on Human Rights (ECHR):

- Every natural or legal person is entitled to peaceful enjoyment of his possessions and cannot be deprived of them
- “possessions” includes Intellectual Property
• Smith Kline and French Laboratories v the Netherlands, no 12633/87, decision of 4 October 1990 (patents);
• Gasus Dosier- und Fördertechnik GmbH v. Netherlands Series A no. 306-B, decision of 23 February 1995
• Beyeler v Italy, no. 33202/96, decision of 5 January 2000;
• Melnychuk v Ukraine, no 28743/03, decision of 5 July 2005 (copyright)
• Anheuser-Bush Inc. v Portugal, no 73049/01, decision of 11 January 2007 (trademarks, even applications)
• Public interest clauses in Protocol 1 Article 1 ECHR
• “[n]o 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” (DEPRIVATION OF PROPERTY)
• “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” (CONTROLLING THE USE OF PROPERTY)
• Could PP be adopted invoking such clauses?
• Again: test of proportionality (necessity)
• Alternative less IP restrictive measures?
• European Court of Human Rights:
• Compensation following deprivation of property plays a major role (denied in a very few cases)
• Yet, compensation is not on the table (neither at EU nor a national levels)
Does PP infringe upon TRIPS?
Big Tobacco believes so
Article 17
Article 20
Article 15(4) TRIPS
Article 6-quinquies(B) Paris Convention (incorporated in TRIPS)
• Article 17
• “Members may provide limited exceptions to the rights conferred by a trademark, such as fair use of descriptive terms provided that such exceptions take account of the legitimate interests of the owner of the trademark and of third parties”
• Thus exceptions should be “limited”
• “Limited exception” was interpreted by WTO Panel
• Just a narrow exception is allowed
• … permitting just a small diminution of trademark exclusive rights
• This interpretation also applies to trademarks …
• … as it was confirmed by Panel in **EC – Protection of Geographical Indications**
• PP opponents: PP is not a “limited exception”
• … as it entails quasi-nullification of exclusive rights
• what is allowed under Art. 17 are only very narrow exceptions …
• … which do not annihilate trademark rights
• PP opponents: PP does not take into account “legitimate interest of the owner”

• EC – Protection of Geographical Indications (2005):

  “Every trademark owner has a legitimate interest in preserving the distinctiveness … of its trademark … This includes its interest in using its own trade mark in connection with the relevant goods and services … Taking into account of that legitimate interest will also take account of the trademark owner’s interest in the economic value of its mark arising from the reputation that it enjoys and the quality that it denotes”.
• PP would totally prevent the use of cigarettes trademarks
• It thus jeopardizes the “legitimate interests of the owner” of the trademark
• and particularly the two functions of TMs
• (i) right holders would be prevented from distinguishing their cigarette boxes
• (ii) all the economic value of their trademarks (which mostly stems from their reputation and quality messages) would be annulled
• PP might also jeopardize interests of third parties, eg consumers
• Consumers have legitimate interest in being able to distinguish goods/services
• PP would remove distinctive elements of tobacco signs
• … and thus confuse consumers and retailers when it comes to purchasing these products
• PP proponents:
• PP is “limited” as it doesn’t authorize 3rd parties to misuse tobacco trademarks
• Right holders could still enforce their exclusive rights against infringers
• This is based on the assumption that trademark registrations just offer negative rights
• Art. 20 TRIPS: “The use of a trademark in the course of trade shall not be unjustifiably encumbered by special requirements”
• Does PP violate Art. 20?
• It might be argued that it is a “justifiable” measure as it aims at reducing smoking and thus protecting human health
• Reasonable measure consistent with the purpose of promoting consumers’ welfare
• Can PP be justified under Art. 8(1) TRIPS?
• “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 TRIPS”
• eg: reducing prices of drugs (including patented drugs)
• A state which wants to introduce such measures under Article 8(1) TRIPS should prove that the same are:
  • (i) necessary to protect a public interest (e.g., citizens’ health)
  • (ii) consistent with TRIPS
• The first is a two-step necessity test
  • (a) there should be a causal link between the measures and the protection of the specific interest …
  • … and the measure should be the least restrictive on IPRs
• States should attach weight to both Art. 8(1)
• … and Par. 4 Doha Declaration on TRIPS and public health:
• “… the TRIPS Agreement does not and should not prevent members from taking measures to protect public health”
• Par. 4 Doha reproduces the spirit of Art. 8(1)
• PP may concern soon other fields
• ... including alcohol
Other fields where PP might be extended

- food industry
• cosmetics
• Single presentation requirement
• Ban on the presentation of a single brand in multiple forms …
• … if such forms are capable of misleading consumers about the risks of smoking
• Uruguay
• Challenged by Philip Morris before ICSID
Thanks for your attention!