



---

722 12<sup>TH</sup> STREET NW - WASHINGTON, D.C. 20005 - 202-290-7646 - [HTTP://WWW.PROPERTYRIGHTSALLIANCE.ORG](http://www.propertyrightsalliance.org)

---

December 16, 2010

European Commission  
DG Health and Consumers  
Unit C6 Health Law and International  
B-1049 Brussels, Belgium  
[sanco-tobacco-products-consultation@ec.europa.eu](mailto:sanco-tobacco-products-consultation@ec.europa.eu)

**Re: Possible Revision of the Tobacco Products Directive 2001/3/EC: Public Consultation Document**

The following is a submission from the Property Rights Alliance to the European Commission regarding the Possible Revision of the Tobacco Products Directive (hereafter referred to as the Possible Revision). The Possible Revision seeks to amend product information standards to remove brands trademarks, and logos from tobacco packaging.

We thank the European Commission for the invitation to make a submission regarding the Possible Revision and its implications. We note our significant concern that, if enacted, the Possible Revision will fail to achieve its objectives, while violating intellectual property rights and breaching numerous treaties to which the European Union is a signatory.

We submit in the strongest terms possible that the Commission recommend against passage of the Proposed Revision.

**The Property Rights Alliance**

The Property Rights Alliance (PRA) is an advocacy organization, based in Washington, DC, dedicated to the protection of physical and intellectual property rights throughout the world.

The PRA produces the annual International Property Rights Index, a comparative study that measures the significance of both physical and intellectual property rights and their protection for economic well-being. In order to incorporate and grasp the important aspects related to property rights protection, the Index focuses on three areas: Legal and Political Environment (LP), Physical Property Rights (PPR), and Intellectual Property Rights (IPR). The 2010 study analyses 125 countries around the globe, representing ninety-seven percent of world GDP. The PRA notes that in 2010 EU member countries ranked on average as having higher property rights protection than a majority of regions surveyed, and commends the EU for its strong history of protecting both physical and intellectual property rights.

**Intellectual Property Rights**

If enacted, the Possible Revision will clearly violate the intellectual property rights of companies, by forbidding them from displaying their trademarks, and differentiating their products on the basis of said trademark. The right to own and enjoy property is a fundamental part of rights of people and referred

to as an extension of human rights. As such, the protection of property rights, both physical and intellectual, is critical to economic development, and is the most important guarantee of freedom. Creating and maintaining an environment where both forms of property are protected and legally enforceable contributes to economic growth and stability.

The importance of protecting property rights is not limited to merely physical property, but intellectual property rights. Intellectual property rights are defined by the World Intellectual Property Organisation as exclusive rights over “.....creations of the mind: inventions, literary and artistic works, and symbols, names, images, and designs used in commerce.”

We note that the European economy revolves significantly around businesses related to Intellectual property, whether it is pharmaceuticals, movies, music, books, software or inventions and industrial designs. As such, the continued protection of intellectual property is critical for the European economy to continue flourishing.

The protection of trademarks is a vital part of protecting intellectual property rights. The World Property Rights Organisation defines a trademark as “*a distinctive sign which identifies certain goods or services as those produced or provided by a specific person or enterprise.*” It notes that “A trademark provides **protection** to the owner of the mark by ensuring the **exclusive right** to use it to identify goods or services, or to authorize another to use it in return for payment. “

It is noted that, as previously mentioned, the present revision scheme prohibits both the use of tobacco trademarks on non-tobacco products as well as tobacco advertising. As such, packaging is the critical way brand information can currently be provided to consumers. Aside from pricing, therefore, it is the essential mechanism through which tobacco manufacturers can compete with each other for consumers. Tobacco companies have created significant intellectual property rights through their trademarks, as demonstrated in the significant degree of ‘brand loyalty’ in the market, and that plain packaging legislation would significantly erode the value of these property rights.

By denying tobacco companies their right to use their trademark to identify their product, this Possible Revision strikes at the very core principles of corporate identity and consumer information that the European economy is based upon. As such, it not only violates the legal rights of the companies affected, but furthermore sets a very dangerous principle for the future of a government unwilling to honour or respect intellectual property rights.

It is finally submitted that as tobacco remains a legal product, the assault on the centuries-old protection of trademarks represents a grave threat to the future of property rights, individual freedom, and freedom of speech, and as such, should be rejected without reservation.

## **Effects of the Possible Revision**

### *No Reduction in Smoking Rates*

The Possible Revision will fail in its objectives to reduce the consumption of tobacco. The PRA notes that there is no evidence in existence whatsoever to demonstrate that the implementation of plain packaging will lead to any decrease in the total quantity of tobacco products sold. Rather, the only effect would be brand substitution.

### *Cheaper Cigarette Prices*

By denying companies the ability to compete on the basis of logo/trademark differentiation, consumers will be unable to differentiate products in any meaningful manner other than on price. As such, the Proposed Revision will result in some cigarette manufacturers choosing to compete on the basis of price, leading to a fall in tobacco prices. Thus, the Possible Revision might have the counter-intuitive effect of potentially *increasing* tobacco consumption.

### *Increased counterfeiting*

The counterfeiting and falsification of tobacco products is an international problem of significant magnitude. According to the World Health Organization Framework Convention on Tobacco Control, the estimated 600 billion counterfeited and smuggled cigarettes crossing national borders each year represents a staggering \$50 billion (U.S.) in lost revenue, affecting nations throughout the world.

Counterfeit cigarettes harm individuals, who are unwittingly duped into smoking inferior and unhealthier cigarettes. A 2003 report by the BBC noted that counterfeit cigarettes contain 75% more tar, 28% more nicotine and about 63% more carbon monoxide" than genuine cigarettes in the UK market.

Counterfeit cigarettes have a significant deleterious impact on governments, with a significant loss of taxation revenue, as well as associated societal problems with the increase in organized crime.

All available evidence demonstrates that trademarks remain one of the best controls on counterfeiting. By preventing the display of trademarks on tobacco products, this Possible Revision threatens a significant increase in illicit tobacco products, with negative effects for individuals.

### *Threaten jobs*

It is submitted that if passed, the Possible Revision poses a serious threat to numerous jobs in small and medium-sized enterprises throughout the supply chain, such as graphics designers and paper producers. At a time of rising unemployment following the global economic downturn, this legislation will cost jobs and seriously hurt many working families.

## Violation of International Obligations

### Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS)

The TRIPS Agreement is an Agreement to provide minimum standards of intellectual property protection, which the EU has accepted, and is administered by the World Trade Organisation.

If passed, the Possible Revision would violate Articles 15 and Article 20 of T RIPS.

#### *TRIPS Article 15*

Article 15(4) of TRIPS states 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.”*

The Possible Revision may grant EU authorities the power to reject an application for registration of a cigarette trademark effectively solely on the grounds of the nature of the good being tobacco. As such, the Proposed Revision may potentially be in breach of Trips 15(4).

#### *TRIPS Article 20*

Article 20 of TRIPS states that *“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.”*

It is noted that this article *specifically* prohibits encumbering a trademark with special requirements to make it difficult to distinguish the good from a competitors products.

The prohibition upon displaying a trademark as proscribed by the Possible Revision represents a clear and unequivocal breach of TRIPS Article 20 in two respects.

By preventing the display of a trademark in full colour, with appropriate font and style as recognised by consumers, this would result in the prohibition of using a trademark in anything other than the “special form” dictated by the proposed revision. This is a breach of TRIPS Article 20

By preventing use of a logo, this will be seriously detrimental to distinguishing a particular brand from a competitor, as such, being a further breach of TRIPS Article 20.

### Paris Convention

The Paris Convention is an international convention dealing with the protection of industrial property, which includes patents, industrial designs, and trademarks. At present, the EU is a member of the Convention.

It is submitted that if passed, this Possible Revision would violate Article 6 and Article 7 of the Paris Convention

#### *Article 6(quinquies)*

Article 6(*quinquies*) of the Paris Convention deals with the protection of trademarks registered in one participant country with another.

Article 6(*quinquies*)B states that Trademarks covered by this Article may be neither denied registration nor invalidated except in the following cases: (i) when they are of such a nature as to infringe rights acquired by third parties in the country where protection is claimed; (ii) when they are devoid of any distinctive character, or consist exclusively of signs or indications which may serve, in trade, to designate the kind, quality, quantity, intended purpose, value, place of origin, of the goods, or the time of production, or have become customary in the current language or in the bona fide and established practices of the trade of the country where protection is claimed; (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.

A significant number of cigarette trademarks are registered and protected in their country of origin. The Possible Revision has the practical effect of invalidating trademarks through preventing their use, and may also grant EU authorities the power to reject their registration, for reasons outlined in previous paragraphs.

The trademarks of tobacco products in question do not infringe upon rights acquired by third parties, are not devoid of distinctive character, and are not contrary to morality and public order in a manner defined by the section. As such, the exceptions allowing for such invalidation are not applicable.

#### *Article 7*

Article 7 of the Paris Convention states *“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.”*

The Possible Revision is in potential breach of this Convention, for reasons articulated in above paragraphs.

#### *The Agreement on Technical Barriers to Trade (TBT)*

The TBT Agreement deals with procedures of testing and certifying conformity to technical regulations. All WTO members, of which the EU is one, are required to uphold the principles of the TBT Agreement.

It is submitted that, if enacted, the Possible Revision violates Section 2.2 of this Agreement

## Section 2.2

Section 2.2 of the Technical Barriers to Trade agreement states that *“Members shall ensure that technical regulations are not prepared, adopted or applied with a view to or with the effect of creating unnecessary obstacles to international trade. For this purpose, technical regulations shall not be more trade-restrictive than necessary to fulfil a legitimate objective, taking account of the risks non-fulfilment would create. Such legitimate objectives are, inter alia: national security requirements; the prevention of deceptive practices; protection of human health or safety, animal or plant life or health, or the environment. In assessing such risks, relevant elements of consideration are, inter alia: available scientific and technical information related processing technology or intended end-uses of products.”*

If enacted, this Possible Revision is likely to cause a significant decrease in the importation of tobacco used in brand named products, and that sales of brand name tobacco products are likely to be affected relative to unbranded or generic products.

This Possible Revision does not fulfil a legitimate objective due to the total absence of any evidence for its effectiveness, and creates a significant and unnecessary obstacle to trade. As such, it is submitted that it is in contravention of TBT 2.2

### **Conclusion**

For the reasons outlined above, the Possible Revision would fail to achieve its objectives, while violating fundamental intellectual property rights and breaching numerous international obligations to which the EU is party to.

We submit in the strongest terms possible that the Committee should find against passage of the Possible Revision.

Please do not hesitate to contact me for any further information.

Respectfully submitted,



Kelsey Zahourek  
Executive Director  
Property Rights Alliance