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# View on the infringement of the intellectual property rights by the introduction of plain packaging of tobacco products

## Recitals

The Framework Convention on Tobacco Control defines tobacco advertising and promotion as any form of commercial communication, recommendation or action having as purpose or effect the promotion of a tobacco product or the direct or indirect consumption and provides that each State should take clear measures to prohibit the advertising, promotion or sponsorship of tobacco products.

These regulations were implemented by the entire tobacco industry and applied in all States, for instance by changing the packaging of tobacco products, by using warnings or pictures regarding the negative and damaging causes of smoking upon health and the fact the smoking may kill, including **explanations with regard to the chemical elements contained in tobacco smoke that also include cyanides**.

Consequently, such regulations were and are further observed by the tobacco products industry, the introduction of plain packaging not being required, as the performed scientific studies failed to show **obvious evidence supporting the plain packaging[3]** or the liaison between the decrease of smoking prevalence and the packaging of tobacco products.

The major contribution of the packaging of any product, including tobacco products, is the help in differentiating brands, being extremely important among consumers. For every consumer, including the consumers of tobacco products, the packaging of a product confirms that the specific product is the one he/she wants to purchase, that it belongs to a certain brand it is related to, which offers him/her the satisfaction of consumption. **Moreover, it offers the first, simplest and most certain hint that the relevant product is not counterfeit or illegal. The decision of the each consumer of tobacco products is to smoke or not, and the product packaging, the brand identity offers such satisfaction.**

The packaging of tobacco products includes the brand identity by logos, colours, fonts, images, packaging fabric and shape. The most important cigarette brand in the world is estimated at USD 27 billion, ranked 10 in the top of all brands worldwide[4].

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[1] http://www.univnt.ro/ro/doctorate.html , http://www.univnt.ro/ro/contact.html .

[2] (ASDPI) is a Romanian legal person, private, independent, non-governmental, non-political, non-profit organization, founded in 2004. ASDPI is the only private association in Romania for the scientific research of intellectual property, having as members: professors, other university specialists and experts on IP from Romania. All the well-known Romanian specialists on IP are members of ASDPI. http://www.asdpi.ro/

[3] See in this respect the results of the Australian Public Health Study 2014-2015: http://www.abs.gov.au/ausstats/abs@.nsf/Lookup/by%20Subject/4364.0.55.001~2014-15~Main%20Features~Smoking~24

[4] Anon. Brand Finance. The US dominates the 'BrandFinance250' – a comprehensive index of the world's most valuable brands. London: Brand Finance; 2007.

The plain packaging means that their design and packaging should be standardized (specific colours, sizes etc.) and without indicating the manufacturer's trademark or logo. Therefore, the trademark, as an intellectual property right of the manufacturer shall be eliminated and can no longer be used.

**The infringement of intellectual property rights by the introduction of plain packaging**

The introduction of plain packaging infringes the minimum obligations regarding the protection of the intellectual property rights provided by the Agreement on Trade-Related Aspects on Intellectual Property Rights (TRIPS) and the Paris Convention for the Protection of Industrial Property (1883).

**The TRIPS Agreement sets the minimum protection standards for the protection of the intellectual property rights that should be granted by each State. The Article 1.1 of the Agreement provides that the Members can, but are not required to, implement in their national law a wider protection than the one provided in the Agreement and that such protection should not be contrary to the one granted by the Agreement.**

The introduction of the plain packaging for tobacco products would infringe, first of all, the principles that the enactment of the TRIPS Agreement was based on, specifically the necessity to establish a multilateral environment of principles, rules and disciplines regarding the international trade in counterfeit products and the fact that the intellectual property rights are private rights. Thus, one of the negative effects of introducing plain packaging is that it shall cause the facile manufacturing of counterfeit products and thereby the increase of the illegal trade. Consequently, both the consumers and the owners of such rights shall be impacted by the counterfeiting of the brands of tobacco product they own. Moreover, the trademark and the brand, as intellectual property rights, are private rights and as a result, the introduction of the plain packaging shall cause the breach of private rights belonging to entities, as well as the consumers' freedom of expression, which is contrary to the European Convention on Human Rights.

Furthermore, the introduction of the plain packaging infringes the Article 7 of the TRIPS Agreement, specifically the objectives of this Agreement: the protection and observance of the intellectual property rights should contribute to the promotion of the technologic innovation and to the transfer and sharing of technology, to the mutual benefit of those who create and use technical knowledge in a manner that is favourable for the social and economic wealth, and to ensure a balance of rights and obligations. Consequently, the increase of counterfeit products having as direct effect the decrease of the sales in the tobacco products industry shall lead to the decrease of the investments made by the industry in technology and innovation. The balance established by TRIPS between rights and obligations regarding the protection and observance of the intellectual property rights shall no longer exist, basically, due to the introduction of the plain packaging, as the industry shall have only obligations and no rights, and in addition, such intellectual property rights are even breached by the measure of introducing plain packaging.

According to TRIPS, *the trademark represents any sign, or any combination of signs, capable of distinguishing the goods or services of one undertaking from those of other undertakings. Such signs, in particular words including personal names, letters, numerals, figurative elements and combinations of colours as well as any combination of such signs, shall be*

*eligible for registration as trademarks. Where signs are not inherently capable of distinguishing the relevant goods or services, Members may make registrability depend on distinctiveness acquired through use. Members may require, as a condition of registration, that signs be visually perceptible. 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.*

Under such circumstances, the introduction of the plain packaging infringes even the function of the trademark by eliminating tobacco products from the protection area and undermines the purposes having determined the function of the trademark and the protection granted by the Agreement. Thus, the nature of the products, specifically tobacco products, and the nature of the services, specifically the tobacco products industry, shall no longer be able to register any trademarks or use the ones already registered. These issues shall cause the infringement of the rights of the trademark owners in the tobacco industry and set conditions in regard of the registration depending on the product's nature. Also, the function of the trademark as an element *"capable of distinguishing the goods or services of one undertaking from those of other undertakings*" shall be removed by the introduction of the plain packaging, infringing thereby the intellectual property rights of the trademark owners, as well as of the consumers, particularly the freedom of choice and of being informed, by the incapacity to distinguish between products of the same kind.

If a trademark can be registered only if it is used, then the rights owners in the tobacco products industry shall lose their protection offered by trademarks, logos and symbols. The loss of the trademarks of an entity, including the industry of tobacco products, leads to the loss of its most important asset. As an example: Mac-Apple shall no longer be able to use the apple logo, Nike shall no longer be able to use the Swoosh, Starbucks shall no longer be able to use the Starbuck logo and examples can go on and on.

If the trademark owner shall no longer be able to use its own trademark on the packaging and on the packs, then also the Article 16 shall be breached, whereas the use of the plain packs shall generate confusion between the same kind of products, having negative effects upon consumers. Under such circumstances, the matter of the liability of the owner of rights in a trademark is also raised, in the event of an illness caused by the consumption of tobacco products. The consumer, further to the risk of confusion, shall be unable to file a claim against the manufacturer of tobacco products and to determine clearly the liability of the manufacturer of tobacco products, as a result of the lack of the trademark or logo of the rights owner.

One of the severest breaches of the TRIPS Agreement is related to the 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*."

The plain packaging breaches all aspects provided by the Article 20 of the TRIPS: providing special requirements, the use simultaneously of another trademark, the incapacity to distinguish between products or services. Consequently, as we have already shown above, the very purposes representing the fundament for the protection of the trademark and the reasons why the trademarks are protected by the TRIPS Agreement are undermined.

**The Paris Convention for the Protection of Industrial Property (1883)** is breached by the introduction of the plain packaging. The lack of the brand on the plain packaging leads to the infringement of the subject matter of the industrial protection, including trademarks[5] and the broadest notion of industrial property, applicable to all products, including manufactured or natural products, for example leaf tobacco[6].

AT EU level, the **Directive 2014/40/UE that abolishes Directive 2001/31/CE of the European Parliament and of the Council on the approximation of the laws, regulations and administrative provisions of the Member States concerning the manufacture, presentation and sale of tobacco products** was adopted**.** Both Directive provides strict requirements regarding the composition and indication of tobacco products, including warnings on the packs with regard to the negative effects upon health. In the event that the plain packaging would be introduced, the provisions of the Tobacco Directive would also be breached by the lack of visible markings and warnings, as well as the Article 295 of the Treaty establishing the European Community, by the infringement of the fundamental property right, specifically of the intellectual property rights. In the Ruling issued in the dispute between British American Tobacco (Investments) Ltd), Imperial Tobacco Ltd, Japan Tobacco Inc. and JT International SA v. the UK Secretary of State for Health, having as subject matter to challenge the directive and the "plain packaging" system, the European Court of Justice has shown that this system complies with certain general objectives targeted by the Community and that it does not impact the substance of the guaranteed rights. *Per a contrario*, if the plain packaging system should be introduced, this would lead to the harming of the major health interests of the consumers by the full lack of warnings, product content etc., and it would impact the substance of the guaranteed rights of the industry in regard of the intellectual property rights, which are private rights, and of the rights of the consumers in regard of their freedom of choice and expression, the freedom of being informed and consumers protection.

[5] Art.1.2 The protection of industrial property has as its object patents, utility models, industrial designs, trademarks, service marks, trade names, indications of source or appellations of origin, and the repression of unfair competition.

[6] Art.1.3 Industrial property shall be understood in the broadest sense and shall apply not only to industry and commerce proper, but likewise to agricultural and extractive industries and to all manufactured or natural products, for example, wines, grain, tobacco leaf, fruit, cattle, minerals, mineral waters, beer, flowers, and flour.

**Conclusions:**

1) **If the purpose of the "tobacco plain packaging" was and is to discourage and/or reduce consumption and smoking, such purpose was not reached by the introduction thereof. There is no conclusive evidence in this respect from Australia, a country having applied the system since 2012.**
2) **Where this system was introduced (Australia), the illegal trade in tobacco products has grown (from 11.5% in 2012, to 14.3% in 2015)[7] and there is no reason to believe and claim that in other countries (or in the EU States) things would be different. Now, the increase of the illicit trade means more tax evasion, less State budget revenues, less resources for public expenses, including for the ones in the research and health sector. But even more hazard for people's health by the consumption of counterfeit products.**
3) **Plain packs make it harder to identify counterfeit products, which increase risks, not decrease them.**
4) **The introduction of this marking system of the product type represents a dangerous precedent also for other products that might be considered potentially hazardous for health (alcohol products[8], meat products, products from genetically altered herbs, soft drinks, cosmetic products, clothing, toys) and for other products as well.**
5) **This "marking" system of a product category represents a serious infringement of the rights of trademarks owners, a disregard not only unanimously accepted of the trademark functions, but also of the trade-related international treaties (particularly TRIPS) and of the trade rules and competition in particular.**
6) **The ban to use trademarks in order to denominate products equals the nationalization of assets that are extremely valuable not only for the tobacco industry. Such a ban cannot be introduced even in case of nationalization of the trademarks for tobacco products that were already registered, as also the TRIPS Agreement, part of the Convention on the establishment of the World Trade Organization and binding for the WTO Member States, provides that Members can, but are not required to, implement in their national law a wider protection than the one provided by the Agreement and that such protection should not be contrary to the one granted by the Agreement.**
7) **Moreover, the ban to use trademarks in order to denominate products causes the breach of the freedom of trade provided in the TRIPS Agreement and in other international conventions and agreements, such as GATT Agreement[9].**

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[7] See in this respect the KPMG 2015 study "Illicit tobacco products in Australia", October 2015, p. 6 and 30: http://kpmg.co.uk/creategraphics/2015/10_2015/LTM_H1_2015_Report/index.html#6 and http://kpmg.co.uk/creategraphics/2015/10_2015/LTM_H1_2015_Report/index.html#30

[8] According to the statistics of the World Health Organization https://www.globaldrugsurvey.com/past-findings/the-global-drug-survey-2014-findings/ , alcohol is the first drug used worldwide and the most spread, with a percentage of 90.8%, while second comes tobacco, with 56.7%, and third cannabis, with 48.2% and fourth soft drinks with caffeine, with 45.9%.

[9] General Agreement on Tariffs and Trade. The main objective of GATT is to create and implement a liberalized and open trade system in which commercial enterprises from the Member States can trade with each other under impartial competition conditions. From the text of the Agreement the following objectives can be drawn: liberalization of trade; most favoured nation treatment, which involves non-discrimination; observance of the undertaken obligations; lowering the tariffs; a joint treatment for the States in course of development; anti-dumping policy etc.

8) **The negative effects of introducing the plain packaging shall cause also the loss of jobs or the destruction of businesses, including the ones strongly related to the tobacco industry.**
9) **The liability in case of lawsuits filed against the manufacturers of tobacco products shall be harder to trigger upon the introduction of the plain packaging, including due to the lack of warnings and of the substances contained in tobacco products on the packaging thereof.**
10) **The introduction of the plain packaging impacts the consumers' freedom of choice and of being informed, which are consecrated liberties of the consumers on a free trade market and subject to competition rules.**

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