Trademark Rights under the Plain Packaging Regime and the New Tobacco Products Directive

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Abstract

With the entry into force of the Second Tobacco Products Directive\(^1\) (hereinafter TPD), new labelling requirements for tobacco products are being introduced for ensuring greater protection of public health. Notably, the TPD harmonises minimum requirements of the WHO’s Framework Convention on Tobacco Control and its Guidelines, consisting of pictorial warnings and information about the harmful effects of smoking (Article 9 and 10 TPD), covering 65% of the tobacco package\(^2\), but also provides the possibility for Member States to introduce further more stringent measures (Article 24(2) TPD). Only brand names in a standard font are allowed to be displayed on a package with neutral colour without any trademarks.\(^3\) This thesis is specifically concerned with the effect of the TPD’s new labelling requirements (plain packaging) on the intellectual property rights (trademark rights) of the tobacco manufacturers. The justifications for the new limitations are considered from a broader EU perspective and from an Intellectual Property law one. The paper reflects on the character of protection that there is no deprivation nor expropriation of property, but a mere control of use and that the right conferred upon registration of a mark is ius excludenti alios and not a right to use. These justifications are based on examination of case law, legislation provisions and it is relied on the surveys approved by the WHO and made post-implementation of plain packaging in Australia. However, it is suggested that the use of trademarks has become an indispensable part of the economic reality and through plain packaging the trademark proprietors’ interests are being undermined. Consequently, it is argued that the new regime is oppressive towards the interests of the trademark proprietors and is not the most effective for attaining the public health objective, by drawing upon sociological and economical research. Finally, the thesis criticises a plain packaging regime as being detrimental to trademark owners and its potential spillover effect to other industries, the risk of increase of illicit trade and counterfeits, which will cause a whole area of intellectual property to become redundant.

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\(^2\) Article 9 TPD & 10 TPD

\(^3\) Article 13 TPD
Introduction

Contextual Background
Tobacco has been part of the commercial reality since 1600s, but it was not until 1800s when cigarettes and other tobacco products were commercially produced. Up until recently the cigarettes were considered harmless and even healthy, for dealing with stress and anxiety.

The first doctor to find a connection between smoking and lung cancer was the German doctor Franz Müller, which lead to the first Nazi ant-smoking campaign that was the most powerful movement against smoking during the 1930s and 1940s. Since then the awareness of the harmful consequences of smoking has been rising with all time high the moment when governments started implementing measures, in order to persuade people to quit smoking and educate the youth about the harmful effects of smoking so that they do not take up the deadly habit. The WHO claims that more than 7 million people die each year due to smoking or of an illness caused by smoking, which makes the death toll from tobacco products in the past and present to come closer each year to the number of deaths caused during the First and Second World Wars and has become the plague of the 21st century. Therefore, smoking needs to be regulated. Due to the high percentage of deaths among smokers (more than half of tobacco users), countries have taken up the initiative through mutual collaboration (UN and WHO as the major agenda setters) to find proper measures that will smokers to quit or reduce their consumption and to deter people completely from taking up the harmful habit. The result is generic packaging, which would allegedly result in reduction of tobacco consumption and consequently lead to securing a greater protection for public health. At the end, it seems that plain/generic packaging was and still is the only measure that appears appropriate and best for achieving the abovementioned objectives. In the process of reducing tobacco consumption and implementing preventive measures for people to be stopped from taking up smoking, there are more rights concerned than only the once of the smokers and the general public (more

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4 Tobacco was the first crop grown for money in North America. In 1612 the settlers of the first American colony in Jamestown, Virginia grew tobacco as a cash crop. It was their main source of money. Other cash crops were corn, cotton, wheat, sugar, and soy beans. Tobacco helped pay for the American Revolution against England. Also, the first President of the U.S. grew tobacco. By the 1800's, many people had begun using small amounts of tobacco. Some chewed it. Others smoked it occasionally a pipe, or they hand-rolled a cigarette or cigar. On the average, people smoked about 40 cigarettes a year. The first commercial cigarettes were made in 1865 by Washington Duke on his 300-acre farm in Raleigh, North Carolina. His hand-rolled cigarettes were sold to soldiers at the end of the Civil War. Marjorie Jacobs, 'From the First to the Last Ash: The History, Economics & Hazards of Tobacco' (1992) <http://healthliteracy.worlded.org/docs/tobacco/Unit1/history_of.html> accessed 17 February 2017

5 HemOnc, 'Cigarettes were once physician tested, approved' (Helio, HemOnc today, 2009) <http://www.helio.com/hematology-oncology/news/print/hemonc-today/%7B7241d62a7-f6e-4c5b-9fed-a33cc6e4bd7c%7D/cigarettes-were-once-physician-tested-approved> accessed 21 February 2017


importantly the public health), whose protection could be said to be the main objectives of each country. There are the economic development and underlying values, such as the intellectual property rights of the traders, which each country has to take into account when implementing particular measures. Generally, democracies have the duty to promote human development, which includes IP development, access to culture, innovation, education and economic wealth. Therefore, intellectual property rights as part of the economic growth should be recognised as an objective equal to public health. However, there are fears that in order for a country to secure the public health, other set of rights has to be restricted. Thus, plain packaging has met opposition from the International Trademark Association, academics and most importantly trademark holders themselves that they are deprived from their right to use registered signs. A clash occurs between the competing interest of trademark owners and the public health objective, which what the countries introducing generic packaging pursue. More particularly, trademarks cannot be used as signifiers of origin, which is their essential function\(^9\), hence, the proprietors have lost the ability to convey messages to consumers about their products, which can most likely deter the brand and the brand loyalty created through the use of trademarks.

**Research question**

The question examined in this thesis is whether plain packaging is the most effective way for reducing smoking prevalence and if so, the limitations may not be adequately applicable in the economic reality, even if entirely legally justified. Indirect measures that persuade consumers to make a healthier choice should not in any way be detrimental to a whole area of IPRs that in fact provides the necessary means for consumers to confidently purchase products and acts as their protection against counterfeiting and illicit trade\(^10\). The policy-makers have set the objective to curb tobacco consumption by searching and identifying the right regulatory ‘mix’ of legal controls, which hold the key to further reducing the initiation of smoking among the adolescents and to the increase of the likelihood of success of smokers to quit.\(^11\) There are different methods of regulation for achieving this such as the measures being preventive (e.g. direct and complete ban on smoking or increase tax on cigarettes, which regulates the supply, decreasing supply and at the same time decreasing consumption) or by being educational and informative (public campaigns funded by the government, which regulates the social norms, hence, regulating the smoking behaviour.\(^12\) Nonetheless, each regulation would have an effect, but would also bear

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8 J. Janewa Osei Tuttu, ‘Human Development as a Core Objective of Global Intellectual Property’ [2016] 105 Kentucky LJ 16
9 See for example Case C-102/77 Hoffmann-La Roche/Centrafarm [1979] ECR 1139 para 7, discussed later
10 WHO Publication No. 450(e), ‘What is Intellectual Property?’ WIPO Publication No. 450(E) p 4 <Online source> accessed 17 March 2017
11 Alberto Alemanno, ‘Nudging smokers: The Behavioral Turn of Tobacco Regulation’ [2012] 3 EJRR 1
a cost with that effect. Modern democracies put great importance on autonomy and individual choice and to restrict them as little as possible. That is why a regulation must not restrict individual choice, but to inform about the consequences of that choice. It is important to find the optimal mixture, which depends on the plasticity of the different regulation and acts as guidance for the public to make positive decisions, while preserving individual choice. The mixture that is the plain packaging regime does not restrict freedom of consumers to buy and use tobacco products, but informs about the harmful consequences of smoking and is expected to encourage them to make a better choice. In other words, governments try to create the necessary conditions for their citizens to make informed decision about the smoking habit and the use of tobacco products. Governments are taking the role as ‘choice architects’ by organising the framework, progression and environment in which the individuals will make their decisions. It is argued that the demoralisation of tobacco consumption and the nudging of society to make the right choice defines the measures as a manipulation of individual choice; governments adopting the concept of paternalism and trying to achieve an objective by implementing a measure that has an infantilisation effect on society. However, with the Tobacco Products Directive 2014/40/EU (hereinafter TPD) the approach is rather different. The new policy has the aim to influence people’s behaviour without restricting any individual choice. Consumers are still able to buy cigarettes, but they are directed with the new packaging that this choice will not be in their favour and it is for them to make the final decision to ensure the preservation of their health by not buying the tobacco product. The countries assemble the best conditions for their citizens to be healthy without restricting their individual choice. Thus, they try to maintain and accomplish the most significant aim of each country, namely, to establish the best and safest environment for its citizens to enjoy and lead a healthy life and ensure that all measures taken have led to the best-informed choice of the public, i.e. declaration of the necessity to protect human health and life. Yet, the cost for the benefit of these measures is the restriction on the use of trademarks by tobacco manufacturers.

Purpose and Method

The methodology applied to the question will be mainly argumentative legal dogmatic approach, while a normative model will be applied to the EU-law provisions, TRIPS Agreement provisions and the Paris Convention, in order to demonstrate the description and interpretation of the authoritative provisions previously identified. The discussion based on the Charter of

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13 ibid 513  
14 ibid. 513  
16 Alberto Alemanno, ‘Nudging smokers: The Behavioral Turn of Tobacco Regulation’ [2012] 3 EJRR 1  
17 ibid  
18 ibid
Fundamental Rights (hereinafter CFR) will include reference to the ECHR and the ECtHR case law, because they provide information on the scope and interpretation on these rights, that are enshrined in the CFR and correspond to the ones introduced in the Convention. Moreover, a sociological approach will be used to evaluate the new labelling requirements as a public policy and its echo across society. The judgment of Mr. Justice Green in the case of British American Tobacco v Department of Health will be used as a motivation for argumentation throughout the thesis. Despite the judgment coming from the UK, an appeal was made to the CJEU, where it was approved that the British judge interpreted the TPD correctly. Consequently, the purpose of all this is to explore different aspects of the measures implemented with the goal of reducing the use of tobacco product and will analyse whether these measures have achieved the desired effect and how they affect the tobacco manufacturers trademark rights. For the purpose of the thesis 'plain packaging' and 'new labelling requirements' will be used interchangeably, because plain packaging is seen as the best interpretation of the measures. Accordingly, it will demonstrate the importance of trademarks, their use for economic development and the existence of potential risks following the restriction on signs by assessing research data and engaging in legislative analysis that will prove that plain packaging is not as effective as it seems.

Disposition

The thesis consists of three chapters. Chapter I the justifications behind the TPD and the plain packaging regime. Chapter II argues against the plain packaging and the TPD and focuses on the importance for preserving trademark rights, and it is motivated by survey data on the effect of plain packaging. Chapter III presents the potential risks following the implementation of plain packaging within the laws of the EU Member States. The very last section of the thesis will serve the purpose of a conclusion and it is where main findings and conclusions will be summarised and presented.

20 British American Tobacco and Others v Department of Health [2016] EWHC 1169 (Admin)
21 Case C-547/14 Phillip Morris Brands SARL and Others v Secretary of State for Health [2016] OJ C 56 ECLI:EU:C:2016:325
Chapter 1.

Chapter I is divided in 3 sections and analyses the TPD and the justifications for the new labelling requirements and plain packaging, which seems to be the preferred and 'best' way of interpretation considering the laws introduced in Australia as being the first country to introduce plain packaging back in 2012 and the lessons learned from Australia’s plain packaging, and now UK, France, Ireland and Hungary are implementing the same interpretation of the TPD.

Section I. Development of Plain Packaging Regime under EU Framework

Section 1 explores the aim of the TPD by contrasting it with the previous measures taken to reduce tobacco consumption and their effect on trademark rights with the significance of the judgment from the CJEU in the case of British American Tobacco (Investments) and Imperial Tobacco. Subsequently, sociological research data is assessed to demonstrate the effectiveness of plain packaging and the deceptively alluring nature of trademarks. The case of British American Tobacco v Department of Health from the UK will be referred to throughout the thesis, because it is the latest extensive judgment on interpretation and the lawfulness of the TPD and because the CJEU accepted the interpretation of the TPD by Mr. Justice Green in its preliminary ruling in the case Phillip Morris Brands SARL and Others v Secretary of State for Health, which will be referred to as well.

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22 Case C-491/01 British American Tobacco (Investments) and Imperial Tobacco [2002] ECR I-11453
23 British American Tobacco and Others v Department of Health [2016] EWHC 1169 (Admin)
24 Case C-547/14 Phillip Morris Brands SARL and Others v Secretary of State for Health [2016] OJ C 56 ECLI:EU:C:2016:325
I.1. Basis of the TPD

While one of the main objectives is to encourage adult smokers to quit and decrease prevalence of smoking among young people\textsuperscript{25}, the TPD standardises packaging requirements for tobacco products, hence, eliminates obstacles on the internal market generated through Member States’ different labelling requirements for tobacco products.\textsuperscript{26} That is prescribed by the Recitals of the TPD, but also by the Lisbon Treaty under Article 168(1) TFEU, which is at the core of the EU framework. The TPD is the legislative action of the European Union for meeting the obligations prescribed under the WHO’s Framework Convention on Tobacco Control (hereinafter FCTC) that has the aim of reducing the use of tobacco products, in order to protect and preserve human health and achieve a smoke-free environment for the public.\textsuperscript{27} Correspondingly, both aims are intertwined and the realisation of both is considered to be possible with the implementation of the Tobacco Products Directive 2014/40/EU.

I.2. The Road to Plain Packaging

I.2.1. Initial efforts to decrease prevalence of smoking – restriction on advertising

In the beginning of the 2000s began the legislative efforts to curb tobacco use in the EU. The introduction of the Tobacco Advertising Directive 2003/33/EC\textsuperscript{28} was the first legislation that targeted the availability of tobacco products on the market and their presence in the lives of consumers by imposing limitation on the cross-border advertising of tobacco and sponsorship in events\textsuperscript{29} involving several Member States\textsuperscript{30}, where free distribution is also forbidden, in the media (print media\textsuperscript{31}, radio\textsuperscript{32}, internet), except than in television (it was already forbidden since 1989 by the Television without frontiers Directive 89/552/EEC\textsuperscript{33}). However, all kinds of advertising of tobacco products in forms of audio-visual commercial communications\textsuperscript{34}, including product placement\textsuperscript{35} was banned with the introduction of Audio-Visual Media Service

\textsuperscript{25} Recital 8 TPD
\textsuperscript{26} Recital 4 and 5 TPD
\textsuperscript{27} Recital 7 TPD
\textsuperscript{29} Article 5 TAD
\textsuperscript{30} Recital 12 TAD
\textsuperscript{31} Article 3 TAD
\textsuperscript{32} article 4 TAD
\textsuperscript{34} Directive 2010/13/EU of the European Parliament and of the Council of 10 March 2010 on the coordination of certain provisions laid down by law, regulation or administrative action in Member States concerning the provision of audiovisual media services [2010] OJ L95/1, recital 88 and art 9(1)(d) (hereinafter AVMSD)
\textsuperscript{35} Article 11(4) AVMSD
Directive 2010/13/EU. Through the implementation of such provisions the legislators managed to slowly, but steadily, decrease the exposure of the public to tobacco products. At the same time the descriptors of the tobacco products were changed, in order to prevent the conception of false beliefs in the mind of the consumers with the introduction of the first Tobacco Products Directive 2001/37/EC (hereinafter FTPD), holding the maximum amount of certain substances that could be used in tobacco products, removal of descriptors such as ‘low-tar’, ‘light’ or ‘ultra-light’ from the name of the products, because they were considered to be misleading and for the first time requiring the manufacturers to place warning signs on the packaging of tobacco products, thus, reducing the space for trademarks. The FTPD had also the underlying aim to eliminate barriers to trade, much as the TPD and to ensure high level of health protection.

I.2.2. The British American Tobacco (Investments) and Imperial Tobacco case, contradiction with plain packaging

The FTPD marked the beginning of the ‘oppressive’ and restrictive EU approach on trademark rights, which were directly affected by the imposed measures on packaging of tobacco products. The measures faced a backlash from the tobacco industry in the case of British American Tobacco (Investments) and Imperial Tobacco. The manufacturers challenged the validity on the restrictions on the use of their descriptive words and argued that the removal will damage the value of their brands and will make it difficult for consumers to differentiate between brands of cigarettes. In that case, it was ascertained by the Advocate General Geelhoed that the substance of a trademark right does not prevent public authorities to restrict the use of a trademark. In order to preserve and ensure the protection of human health the manufacturers of tobacco products have to remove the descriptive terms, because these terms, even though referred to the strength of the effect of the cigarettes, it was misunderstood by most people that the cigarettes/tobacco products branded with these terms are less harmful and will not have such hazardous effect on the health as compared to the ‘stronger’ cigarettes. All cigarettes are equally harmful and by choosing the lighter option, some smokers compensate by smoking more cigarettes, in order to get the same effect as with the stronger ones. Therefore, the

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37 Recital 27 & Article 7 FTPD
38 Article 5 FTPD
39 Recital 19 FTPD
40 Case C-491/01 British American Tobacco (Investments) and Imperial Tobacco [2002] ECR I-11453
41 Case C-491/01 British American Tobacco (Investments) and Imperial Tobacco [2002] ECR I-11453 paras 25-27
42 Ibid 143
43 Case C-491/01 British American Tobacco (Investments) and Imperial Tobacco [2002] ECR I-11453, Opinion of AG Geelhoed para 266
44 Case C-491/01 British American Tobacco (Investments) and Imperial Tobacco [2002] ECR I-11453 para 138
limitations on descriptors were necessary to ensure higher protection of human health and consumers to receive objective information about the toxicity of tobacco products. The consequence was that the manufacturers changed the names of the cigarettes previously branded with descriptors, in the case of Marlboro, light became gold. These measures on trademarks rights imposed by the FTPD did not constitute a disproportionate and discriminatory interference impeding the essential substance of trademark rights. On account of that, notwithstanding the removal of descriptors and the introduced warnings, the manufacturers still had enough space and right to use other distinctive signs, namely, both word and figurative marks. The significance is that the CJEU acknowledged that a total prohibition would constitute ‘disproportionate and intolerable interference, impairing the very substance of the trademark right’. This proves, despite the negative stigma attached to the tobacco products, the importance of the trademarks on the market is important for both manufacturers and consumers. In fact, the attainment of higher protection of public health was considered achievable with the measures introduced by the FTPD, thus, the question arises, why did the legislature decide to go further and ban the complete use of trademarks?

I.3. Significance of Plain Packaging and the Importance of Australia for the global discourse

The answer to the question why the use of trademarks is banned completely is found in the strong desire of governments to reduce tobacco consumption or provide the best fitted environment for decreasing it. That environment up until now was tobacco products packaging with warning signs and pictures showing the harmful consequences of tobacco consumption, but it was not enough for ensuring high public health protection. While consumers were still being informed, and warned about the harmful effects of tobacco consumption, there were still trademarks on the packaging that were influencing the public to buy those products. Plain packaging is the consequence of years of research and observation on public preferences and influences, dating back from the 90s. The EU being part of the WHO, it has ratified the FCTC and the Member States have done the same and they contribute to the aim of the WHO to ensure proper protection to public health. After the introduction of plain packaging in Australia

46 Case C-491/01 British American Tobacco (Investments) and Imperial Tobacco [2002] ECR I-11453 para 135
47 Case C-491/01 British American Tobacco (Investments) and Imperial Tobacco [2002] ECR I-11453 paras 148, 153
48 NautaDutilh Brussels, ‘Plain Packaging: Expropriation and Disproportion’ [2013] 9 EIPR 497; Case C-491/01 British American Tobacco (Investments) and Imperial Tobacco [2002] ECR I-11453 para 152
49 Case C-491/01 British American Tobacco (Investments) and Imperial Tobacco [2002] ECR I-11453 para 153
50 Case C-491/01 British American Tobacco (Investments) and Imperial Tobacco [2002] ECR I-11453 para 118
52 Recital 7 of the TPD
in 2012 the WHO initiated the ‘Global Action Plan for the Prevention and Control of NCDs 2013-2020’, which emphasized the need for united efforts of governments and societies at regulating the harmful effects of ‘tobacco use, unhealthy diets and alcohol abuse across diverse sectors as public health, trade and environmental protection’\(^{53}\), placing the importance on tobacco control measures. What is more, what led to the so-called ‘awakening’ of the EU and the introduction of the TPD is the necessity to fulfill certain obligations as a party to the FCTC,\(^{54}\) which are to regulate tobacco consumption with aim to substantially and continually to reduce it. It was acknowledged by the High Court of the UK that under Recital 7 the TPD is a direct response, representing a ‘consensus’ between Member States to implement the WHO’s FCTC and its Guidelines.\(^{55}\) The data gathered from the surveys on the effects of the Australian Plain Packaging legislation seemed to have influenced the initiation of this action plan and presenting it as an effective measure for achieving greater health protection. All these studies were verified by the WHO and are considered a successful outcome following the introduction of plain packaging. What contributes even more to the categorization of plain packaging as an effective measure is the fact that all of the surveys were made in the period from couple of months to 1 year post implementation, which supposedly would lead to a greater increase in the future. The time period is of great importance, because after the introduction, there was a transition period, during which retailers were still offering tobacco products in the old packaging until exhaustion of quantities. At first the public is usually reluctant towards new measures and the introduction to something new, there is a need to get used to it, in order to comprehend and be influenced by the effect of the plain packaging. Such fast effect, even though considered by opponents of plain packaging to be minimal, is impressive and verifies the earlier presumptions about the effectiveness of the measures.

I.3.1. Plain packaging’s influence on consumers and deceptiveness of trademarks

The plain packaging was much favoured by the WHO. Despite the lack of an actual wording within the FCTC about plain packaging, it is implied under Article 11 (Packaging and labelling of Tobacco Products)\(^{56}\). The whole provisions set out the requirements for enacting effecting measures for the fulfillment of reduced tobacco use. The Article states that promotion of any kind of tobacco products must not in any case be ‘false, misleading, deceptive’\(^{57}\) or creating false impressions about the harmful effects of the tobacco products. This includes any kinds of

\(^{53}\) ibid
\(^{54}\) WHO Framework Convention on Tobacco Control (WHO FCTC) [2013] available at <www.who.int./fctc>, art 3 (hereinafter WHO FCTC)
\(^{55}\) British American Tobacco and Others v Department of Health [2016] EWHC 1169 (Admin) para 229
\(^{56}\) Article 11 WHO FCTC
\(^{57}\) Article 11(1)(a) WHO FCTC
descriptors (mentioned earlier how people perceived them and that they were removed after the FTPD), trademarks\textsuperscript{58}, signs suggesting that one tobacco product is less harmful than others or creating erroneous impression about the risk of tobacco consumption.\textsuperscript{59} The main requirement is that there must not be any false impression created that one tobacco product is less harmful than others. In other words, any kind of advertisement through the packaging is forbidden and any signs, colours, descriptors, essentially everything that may be perceived appealing to the consumer’s eye is deemed to be misleading about the harmfulness of the products. What is more, there are further requirements that the packaging should include graphical, large, written, legible warnings\textsuperscript{60} that have to cover a minimum part of the packaging (Members may use bigger ones). It is not a strictly demanded restriction, it is the one that is seen as being the best one for attaining greater public health protection and the Member States have the discretion for introducing more stringent for achieving the high goal of protecting the human health\textsuperscript{61}. These stringent measures following Australia as an example are the plain packaging regime, which imposes limitations on the use of trademarks.

Accordingly, under Article 11(4) of the FCTC\textsuperscript{62} plain packaging is to be implemented at the end of the supply chain, meaning that until the products reach the retail stores manufacturers are free to use their trademarks, the key obligation is that consumers do not be in contact with the signs on a retail level. This makes the new regime less restrictive and not so oppressive than it is claimed to be. The message conveyed through trademarks could still be there, it must not be done through the so-called final product. Since there is no risk to deter the protection of public health on the upper levels of the supply chain, proprietors are free to use their signs. The idea is that plain packaging is the most effective when it is directly communicated to consumers. The use on a retail level is limited to word marks (name of the brand and the assortment of the product) printed in a generic font on the one coloured packaging of all tobacco products of all manufacturers\textsuperscript{63}, that is the approach that the UK and Australia have taken. It could vary from country to country with small disparities, due to the discretion given to each country on the interpretation of the provisions of the FCTC and the TPD. Certainly, the use of figurative and colour marks is restricted. The restriction is based on the presumption that they lure and deceive the public to assume that there is something positive in the use of tobacco products. It is also assured that by introducing health warnings and removing deceiving descriptors, legislators managed to ensure ‘the greatest possible transparency of product information’, meaning that the particular product’s effects are not concealed behind slogans or descriptors and alluring

\textsuperscript{58} Article 13(3) TPD
\textsuperscript{59} Article 13 1(a) & (b) TPD
\textsuperscript{60} Article 11(1)(b) TPD
\textsuperscript{61} Recital 53 TPD
\textsuperscript{62} Article 11(4) WHO FCTC
\textsuperscript{63} The Standardized Packaging of Tobacco Products Regulations 2015 No. 829, Part 2, ss. 3 & 5 ((4) & (5))
colours, but openly are presented and communicated to the public and the consumers.\textsuperscript{64} Thus, the enjoyment of intellectual property rights of the trademark proprietors is to be reduced. The space left on the packaging for word marks in generic font is considered sufficient, in order to establish and maintain a balance between the competing interests of the public and the trademark proprietors and that the commercial interests of the tobacco manufacturers is accounted for. The trademark proprietors can still use colours, words and signs to distinguish their products, but not at retail level. It is so, because colours as marks, have played a major role in creating a certain perception of the consumers’ minds.

\textbf{I.3.1.1 The Power of colourful and figurative marks on consumers}

The consumers and in general people attribute characteristics to specific products relating to the colour of the packaging or the colour of the signs on the packaging, even though the products do not possess the particular features. For example, signs consisting of light colours (pink, yellow, rose, silver) make consumers to perceive that the message conveyed is related to lightness and mildness, consequently, that the products are not as harmful as others.\textsuperscript{65} Colours such as red, gold, strong blue, black convey the message that the cigarettes are stronger and respectively more harmful.\textsuperscript{66} What is more, consumers even tend to perceive gold to be signifying healthier choice, than red. That is not observed only in the case of tobacco consumers, but in all markets for different products and services. However, professor Hammond has found in the case of \textit{British American Tobacco v Department of Health} approved in \textit{Phillip Morris Brands SARL and Others v Secretary of State for Health} by the CJEU that the colours do play a major part in the perception created in the mind of the consumers. Darker, non-white colours were perceived to be less appealing than the white and other light coloured packs.\textsuperscript{67} Combinations of different colours, shapes and fonts are used in order to draw the attention of the consumer and create a certain perception in their minds. It influences them to make a particular choice also through generating and conveying certain messages. For example, some brands of cigarettes such as Davidoff, Sobranie, Parliament, Marlboro etc. are categorized as high class or luxurious ones due to their higher prices and image created by the trademark. Thus, the so-called brand loyalty is created, where consumers opt for specific products due to luxurious message conveyed through figurative trademarks. It could be said that by purchasing a specific brand of cigarettes or tobacco products the consumers perceive that they choose the lavish lifestyle, which automatically puts the tobacco products on a pedestal as a way of a better life. Subsequently, the packaging through aesthetic appearance reinforce the brand loyalty.

\textsuperscript{64} NautaDutilh Brussels, ‘Plain Packaging: Expropriation and Disproportion’ [2013] 9 EIPR 497
\textsuperscript{65} Enrico Bonadio, ‘Plain Packaging of Tobacco Products under EU Intellectual Property Law’ [2012] EIPR 599
\textsuperscript{66} Christopher Snowdon, ‘Plain Packaging: Commercial expression, anti-smoking extremism and the risks of hyper-regulation’ [2012] Adam Smith Institute <Online source> accessed 12 March 2017
\textsuperscript{67} \textit{British American Tobacco and Others v Department of Health} [2016] EWHC 1169 (Admin) paras 498, 499
even though the claimed reason for the needed trademarks to identify brand differentiation. It is an inevitable consequence of the performance of the essential function of a trademark to distinguish one undertaking from others. It was recognised that the colourful trademarked packaging influences consumers to pay less attention to health warnings implemented over a decade ago.68 There is no need for an actual promotion, consumers perceive that cigarettes are a form of an exclusive way of living. This is automatically communicated from adults to adolescents. Therefore, it is determined that the use of trademarks promotes and increases tobacco consumption which subsequently reflects in a harmful way to the overall public health. Hence, by removing the allure of colourful packaging smokers will be encouraged to quit and young people will be discouraged from taking up smoking. Currently the issues with youths is that they are heavily influenced by the adults, the urge of growing up fast, and by their peers. Statistical analysis in the UK points out that most youths whenever asked why they smoke, answered that because they think it makes them look cool and considered that their smoking peers look cool.69 Therefore, the EU legislature was heavily influenced to introduce plain packaging, because of the positive data collected among youth post plain packaging implementation in Australia and the immediate change of perception towards tobacco products and its harmful effects, it is presumed that plain packaging would have the same effect on young people in the EU.

I.3.1.2 Survey data

All surveys made post-implementation of plain packaging in Australia on the effectiveness of the measures are based on the relationship between trademarks and consumers and how the trademarks influence the consumers, this once again proves the importance of trademarks being present at the market. All surveys presented in the thesis are approved by the WHO as an evidence of the validity of plain packaging. In the survey ‘Has the introduction of plain packaging with larger graphic health warnings changed adolescents’ perceptions of cigarette packs and brands?’70, it was determined that plain packaging has reduced the attractiveness of cigarettes and the health warnings provide further information about the danger effects of smoking and correct the misperceptions about the harms among adolescents.71 Young people’s beliefs that smoking and cigarettes ‘make them look cool’ have reduced, hence the

70 Victoria White, Tahlia Williams, Melanie Wakefield, ‘Has the introduction of plain packaging with larger graphic health warnings changed adolescents’ perception of cigarette packs and brand?’ [2015] 24(2) BMJ journals Tobacco Control 42 <http://tobaccocontrol.bmj.com/content/24/Suppl_2/ii42.full> accessed 27 February 2017
71 ibid; The word used in the survey result was that the appeal of cigarette packs and brands had decreased significantly [emphasis added]
attractiveness to start smoking has decreased. They were more informed about the harmful effects of smoking, which decreased their interest in trying or taking up smoking as well. The same results were obtained in a survey made with target groups for young (18-29) adults and mid-aged (30-49) adults and was ascertained that plain packaging has achieved its objectives and more importantly has sustained it 12 months’ post implementation.\textsuperscript{72} What is more, a third survey found that the plain packaging with large pictorial warnings may have quitting-related cognitions and behaviors among smokers. It demonstrated that the new packaging has increased the effectiveness of the warnings, the levels of pack avoidance, calls to the Quitline and most importantly the attempts to quit in the first year after implementation.\textsuperscript{73}

Furthermore, a survey made by the Cancer Council Victoria in Australia determined that there was a significant increase in the percentage of smokers who perceived the quality of their cigarettes to be lower as opposed to branded pack smokers.\textsuperscript{74} They also believed that the cigarettes were less satisfying. Consequently, lower quality and less satisfaction equates smokers’ increased desire to quit. The perception that the tobacco products are of lower quality and less satisfying leads also to the weakening of the brand loyalty and the association that certain brands indicate a luxurious lifestyle. A study, which examined the behaviour of smokers at cafés that allow outdoor smoking, proved that.\textsuperscript{75} Post implementation of plain packaging in Australia there was a 15% decline in the number of packs that could be seen on the tables of smokers. They were either hidden away or there was something like a smartphone put on top of the packs to ‘hide’ the packaging. This indicates a defensive behaviour towards the new packaging and behavioural change in the mind of the public towards smoking.\textsuperscript{76} In other words, following plain packaging there was observed a negative stigma surrounding smoking. The demoralisation of smoking and the creation of this negative stigma are consequences of the ‘permit but discourage approach’, which is realised through plain packaging.\textsuperscript{77} This mixture of legal controls, education (graphical warnings on packs) and cessation programmes\textsuperscript{78} (limitations on the use of trademarks) have achieved a foremost success in the Australian

\textsuperscript{72} Melanie Wakefield, Kerri Coomber, Meghan Zacher, Sarah Durkin, Emily Brennan, Michelle Scollo, ‘Australian adult smokers’ responses to plain packaging with larger graphic health warnings 1 year after implementation: results from a national cross-sectional tracking survey’ [2015] 24(2) BMJ journals Tobacco Control 17 <http://tobaccocontrol.bmj.com/content/24/Suppl_2/ii17.full> accessed 17 February 2017
\textsuperscript{73} Sarah Durkin, Emily Brennan, Kerri Coomber, Meghan Zacher, Michelle Scollo, Melanie Wakefield, ‘Short-term changes in quitting-related cognitions and behaviours after the implementation of plain packaging with larger health warnings: findings from a national cohort study with Australian adult smokers’ [2015] 24(2) BMJ journals Tobacco Control 26 <http://tobaccocontrol.bmj.com/content/24/Suppl_2/ii26.full> accessed 17 February 2017
\textsuperscript{74} ibid
\textsuperscript{75} Meghan Zacher, Megan Bayly, Emily Brennan, Joanne Dono, Caroline Miller, Sarah Durkin, Michelle Scollo, Melanie Wakefield, ‘Personal pack display and active smoking at outdoor café strips: assessing the impact of plain packaging 1 year post implementation’ [2015] 24(2) BMJ journals Tobacco Control 94 <http://tobaccocontrol.bmj.com/content/24/Suppl_2/ii94.full> accessed 17 February 2017
\textsuperscript{76} Enrico Bonadio, ‘Plain Packaging of Tobacco Products under EU Intellectual Property Law’ [2012] EIPR 599
\textsuperscript{77} Alberto Alemanno, ‘Nudging smokers: The Behavioral Turn of Tobacco Regulation’ [2012] 3 EJRR 1
\textsuperscript{78} ibid
campaign towards healthier society. If the plain packaging regime turns out to be effective in the EU as in Australia in the wake of its introduction, it could be treated as substantial evidence that the new measures are truly efficient and could be used as a foundation for further policymaking for the achievement of public health objective\textsuperscript{79} after the compulsory review on the results of the TPD made by the Commission five years from 20 May 2016.\textsuperscript{80}

Section II. The Clash between fundamental rights of trademark proprietors and the TPD; The TPD eliminating Obstacles to Trade

Section 2 of \textit{Chapter I} focuses on the justification of plain packaging under the right to property and right to conduct a business under the CFR with extensive analysis on the issue of deprivation and expropriation of property and Article 114 of the TFEU on the harmonisation of packaging requirements and the elimination of trade barriers, said to be achieved by the TPD. These TPD’s objectives are set to be achieved with its implementation within the laws of the Member States of the European Union. However, the new labelling requirements (restrictions on the use of trademarks) were contested by the tobacco manufacturers in the cases of \textit{British American Tobacco v Department of Health}\textsuperscript{81} from the UK and later as a request for a preliminary ruling before the CJEU in the case \textit{Philip Morris Brands SARL and Others v Secretary of State for Health}\textsuperscript{82}, that their right to property and freedom to conduct a business are limited. The trademark proprietors argue that there is unlawful deprivation of property and not a mere control on use. What is more, the proprietors are reluctant to accept that under Article 114 TFEU the TPD is lawful and in fact it harmonises the general labelling requirements, hence, removes obstacles to trade. The section explores and relies on established case law and the wording of the provisions. What is more, ECHR and ECtHR case law are considered, because, despite not being formally incorporated into the EU legal framework, they provide the minimum standard of protection provided by the fundamental rights of the CFR\textsuperscript{83}, which correspond to rights guaranteed by the ECHR\textsuperscript{84}. Article 6 of the TEU requires the Union to accede to the ECHR and

\textsuperscript{80} Article 28 TPD
\textsuperscript{81} British American Tobacco and Others v Department of Health [2016] EWHC 1169 (Admin)
\textsuperscript{82} Case C-547/14 Phillip Morris Brands SARL and Others v Secretary of State for Health [2016] OJ C 56 ECLI:EU:C:2016:325
\textsuperscript{83} Article 53 EU Charter
\textsuperscript{84} Article 52(3) EU Charter
the CFR serves as the explicit catalogue of fundamental rights. However, the rules set under the ECHR are not to be applied ‘as a standard for reviewing the lawfulness of EU institutions, but are to be used as a source of meaning and scope of the fundamental rights ‘enshrined in the CFR’.87

II.1. Article 17 of the European Charter of Fundamental rights and the concept of trademarks as property

Article 17 of the CFR is similar to Article 1 Protocol 1 of the ECHR, but it explicitly recognises intellectual property as falling within the scope of the right to property.88 The CJEU acknowledged the fundamental right ought to be invoked in aid of intellectual property protection.89 Article 17 states:

1. Everyone has the right to own, use, dispose of and bequeath his or her lawfully acquired possessions. No one may be deprived of his or her possessions, except in the public interest and in the cases and under the conditions provided for by law, subject to fair compensation being paid in good time for their loss. The use of property may be regulated by law in so far as is necessary for the general interest.
2. Intellectual property shall be protected.90

The second paragraph refers to intellectual property, which covers literary and artistic property, patent and trademark rights and the associated rights with them. The first paragraph applies to intellectual property as well, that is accepted under the EU framework.91 Trademarks are treated as an intangible asset before and after registration and as being categorised as property they are conferred a significant commercial and market value. The ECtHR has accepted that upon registration of a trademark there is a bundle of financial rights and interests delivered to the proprietor, which may give rise to legal transactions, such as sale or licencing, hence, a trademark acquires a substantial market value, which also categorizes them as ‘assets’. In EU law under Article 16(1) of the CTMR 2015/2424 trademarks are to be treated as objects of property.92 Thus, under EU law trademarks and the rights attached to them are to be treated as

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87 Ibid para 68
90 Article 17 EU Charter
91 Explanations relating to the Charter of Fundamental Rights [2007] OJ C 303/17
92 Anheuser-Busch Inc v Portugal App no 73049/01 (2007) 44 EHRR 42
94 Article 16 CTMR
property and property rights. Consequently, Article 17 (right to property) acts as a protection against unjustified deprivation of those property rights. The wording ‘no one may be deprived of his or her possessions’ proves that as well. However, the second part ‘except in the public interest and in the cases and under the conditions provided for by law, subject to fair compensation being paid in good time for their loss. The use of property may be regulated by law in so far as is necessary for the general interest’ provides that property rights are not absolute and they can be limited, provided that the restrictions imposed on those rights are proportionate to the objective pursued. Therefore, Article 17 can be described as a provision which ensures, despite the right to property and enjoyment of that property, the achievement of particular social goals that shall be valued by the State more highly than the exercise of the right. The social goals here are the protection of health and prevention of the youth of taking up the harmful habit by making the tobacco products least appealing and clearly communicating the information about the harmful consequences of smoking. Accordingly, trademarks have a social function, which is that they be used in accordance with the public interest. This function is implied in the provision that a trademark must not be contrary to public policy and go against the accepted principles of morality (Absolute Grounds for refusal - Article 7 Regulation 207/2009). Thereof, the trademarks in the tobacco industry are used to persuade consumers to buy the products, to convey the message that there is something positive in smoking, a luxurious message or being part of a lifestyle, as a stress-reducer or as with young people – a way to fit in the socially accepted, even sometimes in the respected norm. However, trademarks do not have the intended purpose of luring or deceiving consumers, but to distinguish the particular goods from similar ones produced by other undertakings and inform consumers about the origin of the products. Therefore, under the principle proportionality which is embedded in EU legislative framework and is one of the building blocks of the European Union, for the restrictions imposed by the legislators on the property of rights of the manufacturers to be lawful, there has to be a legitimate aim that is pursued. I.e. there has to be a proportionate balance between the fundamental rights restricted and the public interest without placing a disproportionate and excessive burden on the trademark proprietors, who are the individuals affected by these measures. For manufacturers of tobacco products, the distinctive function of figurative trademarks as well as their communication, investment and advertising functions provide the marks with a significant commercial and market value. In other words, the owners

97 Article 7(1)(f) CTMR
are deprived from the enjoyment of that property. Deprivation of property can occur and be lawful as stated under Article 17, if there is an adequate compensation (financial) paid for the loss. Yet, under the TPD there is no wording obliging the Member States to repay compensation for the loss incurred by the deprivation to enjoy the use of trademarks. As the ECtHR, has accepted, whenever a measure prevents fully the ability of an owner to use his or her possession would constitute an interference with the peaceful enjoyment of the property rights\textsuperscript{100} and all financial gain earned through the use of the trademark would be wiped out and the enjoyment of their industrial property will be rendered impossible.\textsuperscript{101}

**II.1.1. Limitations on trademarks as property - deprivation/expropriation or mere control of use**

Whenever there is a deprivation of property, there has to be a payment in return, unless there are exceptional circumstances, when the lack of payment is permitted, in accordance with the principle of proportionality.\textsuperscript{102} Deprivation of property may occur in different situations; (1) the owner is stripped off his/her title to a property, or (2) retains the title to his/her property, but cannot exercise the rights attached to the property; (3) may also be categorized as a mere control on use or even (4) expropriation, where that a public authority acquires private property and denies all rights and benefits attached to that property to its initial owner.\textsuperscript{103} These definitions are set under the ECHR, which as mentioned in the beginning of Section II set the minimum standard for interpreting the fundamental rights. In the *British American Tobacco case* the tobacco manufacturers contested that the deprivation is an expropriation, because the Member States have the right to decide which, how and where registered signs can be used or whether they can be used at all on the packaging of tobacco products. A right that was previously belonging to the manufacturers. The following discussion will focus on the comparison between expropriation (based on the tobacco manufacturers’ arguments) and the ruling made by Mr. Justice Green that the measures of the TPD are mere control of use, which under Article 17 of the CFR is prima facie justified.

**II.1.1.1 Expropriation or control of use**

The border between control of use and expropriation are thin, due to their similarities and because one may lead to the other. They are conceptually continuous concepts, meaning

\textsuperscript{100} Papamichalopoulos v Greece App no 14556/89 (1993) 16 EHRR 440

\textsuperscript{101} NautaDutilh Brussels, ‘Plain Packaging: Expropriation and Disproportion’ [2013] 9 EIPR 497

\textsuperscript{102} Holy Monasteries v Greece App nos 00013092/87 & 00013984/88 (1994) 20 EHRR 1

\textsuperscript{103} ‘Control of use and deprivation of property’ (ECHR-Online), <http://echr-online.info/right-to-property-article-1-of-protocol-1-to-the-echr/control-of-use-and-deprivation-of-property/> accessed 31 March 2017
that control of use depending on its further features, may turn into expropriation.\textsuperscript{104} The two concepts could be placed on a spectrum commencing with control of use at one end and ending with expropriation on the other. By extending and adding more characteristics to the control, at some point it may metamorphose into expropriation.\textsuperscript{105} This point could be determined with the acquisition of the property by the state and whether this acquisition took place. Frederick Mostert (a Past President of the International Trademark Association) considers that expropriation takes place, when the states acquires the property and benefits from the rights attached to it, which does not happen in the case of the labelling requirements under the TPD.\textsuperscript{106} It imposes controlling measures on the trademark owners of how and where to use their trademarks, there is no transfer of rights or title from the trademark proprietors to the particular Member States. However, D. G. Kleyn argues that expropriation also occurs when there is a severe encroachment of property, even without actual acquisition of the state, which in a way could be categorized as constructive expropriation (described by Mostret).\textsuperscript{107} The effect of this concept is to remove and destroy all rights of a particular right holder without providing compensation, regardless of whether or not an advantage of the removed rights is transferred to a third party or to the state.\textsuperscript{108} According to the tobacco manufacturers, the value and substance of their property (trademarks) is dependent on use, hence, when the use is forbidden the value and substance are destroyed, which allegedly is expropriation under the TPD.\textsuperscript{109} However, not all rights are removed and destroyed. The right to exclude others from using the mark, which is the main right of all, is still enforceable by the trademark proprietor. It can still be enforced and made use of by the owners, provided, there is no financial gain for the expropriator after the removal has occurred.\textsuperscript{110} The UK court followed the same line of reasoning that there is no expropriation, if there is still ‘meaningful use’ left to the property and that it is not ‘rendered useless’\textsuperscript{111}, this was also approved by the ECtHR\textsuperscript{112}. What is more, Mr. Justice Green recognised that trademarks in legal terms are treated as an independent property, but it is also the cumulative effect of rights from the real life perspective, which further proves that the control exercised by the TPD is on the trademarks as a whole, but on a partial right that it is attached to the mark.\textsuperscript{113}

\begin{itemize}
  \item \textsuperscript{104} Prof. Owen H. Dean, ‘Deprivation of trade marks through state interference in their usage’ [2013] 35(10) EIPR 576
  \item \textsuperscript{105} ibid
  \item \textsuperscript{106} Paul McClean, ‘Big Tobacco sets stage for alcohol to defend brands’ (Financial Times, 2017) <https://www.ft.com/content/84edf96c-d726-11e6-944b-e7eb37a6aa8e> accessed 28 April 2017
  \item \textsuperscript{107} D. Kleyn, "The Constitutional Protection of Property: A Comparison between the German and South African Approach" [1986] 11 SAPR/PL 437
  \item \textsuperscript{108} Prof. Owen H. Dean, ‘Deprivation of trade marks through state interference in their usage’ [2013] 35(10) EIPR 576
  \item \textsuperscript{109} British American Tobacco and Others v Department of Health [2016] EWHC 1169 (Admin) para 712
  \item \textsuperscript{110} Papamichalopoulos v Greece App no 14556/89 (1993) 16 EHRR 440 para 43
  \item \textsuperscript{111} British American Tobacco and Others v Department of Health [2016] EWHC 1169 (Admin) para 735
  \item \textsuperscript{112} Pine Valley Developments v Ireland App no 12742/87 (1992) 14 EHRR 319
  \item \textsuperscript{113} British American Tobacco and Others v Department of Health [2016] EWHC 1169 (Admin) para 753
\end{itemize}
The tobacco manufacturers can still exclude others from using their marks, hence, the curtailment of the use does not result in manufacturers being unable to exercise all rights attached to their trademarks i.e. they preserve the legal title on the property and the measures under TPD, that are unequivocally in the public interest for attaining the objective pursued, amount to control of use and not an expropriation of property.\textsuperscript{114}

\textbf{II.1.1.2 Further remarks}

Interestingly, Mr. Justice Green held that even if the measures have amounted to expropriation, it would have been a lawful one, because it serves a legitimate public interest and is proportionate, but without an actual transfer of property to the state, there is no expropriation.\textsuperscript{115} Even then the tobacco manufacturers would have been fighting ‘an uphill battle’ against the new packaging requirements and try to prove that the limitations are unlawful.\textsuperscript{116} It seems unappealing for the courts not to restrict a fragment of the rights of the tobacco manufacturers as opposed to the idea that a widely supported health measure is implemented.\textsuperscript{117} That is why, the measures determined as being proportionate should not come as a surprise. It is less detrimental to take away the freedom to use a trademark, instead of allowing smoking to gain more popularity and harm more people, directly and indirectly. Smoking harms people and that is a known fact, the manufacturers of tobacco products admit it as well. Phillip Morris International’s reaction towards the measures was that they not be discriminated and the law protecting their investments to be equally applied and to practically reflect the economic reality.\textsuperscript{118} The implemented measures may cause difficulties for the manufacturers at first, but using trademarks in commercial activities is not only real and practical way for fulfilling the business responsibilities towards shareholders and employees, it facilitates them. Subsequently, the removal of trademarks on the packaging of tobacco products is part of the fast-pace and ever changing economic reality, to which each company has to adapt its business practices. The law is adapting itself to the shift of this reality, in order to ascertain its main goal, namely, promote consumer welfare and promote public health protection and at the same time ensure technological advancement. Thus, the law tries to achieve a symbiosis between competing interests for achieving particular social and economic goals.

\textsuperscript{114} British American Tobacco and Others v Department of Health [2016] EWHC 1169 (Admin) paras 783-799
\textsuperscript{115} British American Tobacco and Others v Department of Health [2016] EWHC 1169 (Admin) para 783
\textsuperscript{117} ibid
II.2. Article 16 Freedom to Conduct a Business

As mentioned above, trademarks are a crucial part of the commercial activities of the tobacco manufacturers. Brands and brand loyalty are concepts that are established through trademarks and as a consequence of the normal business practices of each undertaking that is engaging in any kind of economic activities. The use of the signs being of the commercial reality falls within the freedom to conduct a business prescribed under Article 16 of the CFR\(^{119}\). This freedom encompasses all commercial and business activities that serve an economic purpose and all aspects of their implementation.\(^{120}\) It is affected by any measure, which may or will restrict the economic activities of a particular party, in this case tobacco manufacturers, which are entitled to this fundamental right. The restriction has to have a sufficiently direct and substantial effect on the freedom of the manufacturers to engage in their conduct. The obligation not to include trademarks on the packaging, but to put specially assigned pictorial and written warnings and use a generic colour and font, restricts the manufacturers to fully implement all aspects of their commercial endeavors, in order to protect the public. Nevertheless, that freedom is not absolute and if necessary, can be subject to particular limitations.\(^{121}\) What is more, Mr. Justice Green by referring to the CJEU accepted that this right is ‘heavily circumscribed’ and is subject to curtailment and limitations at all times ‘according to a more or less unlimited range of different public interests’, hence, TPD does not violate that right.\(^{122}\) Furthermore, the freedom to conduct a business can be limited under Article 52(1) of the CFR, whenever the limitations imposed are proportionate for the achievement of the aim pursued that is of higher general interest.\(^{123}\) The Article states:

1. Any limitation on the exercise of the rights and freedoms recognised by this Charter must be provided for by law and respect the essence of those rights and freedoms. Subject to the principle of proportionality, limitations may be made only if they are necessary and genuinely meet objectives of general interest recognised by the Union or the need to protect the rights and freedoms of others.

The application of this provision requires step-by-step analysis\(^{124}\), in order to determine that a measure can limit a fundamental right. The first condition is that the limitation has to be ‘provided by law’, which in the case of plain packaging is fulfilled, namely the TPD, meaning that a limitation can and is only ‘naturally directed at the European Union and its Member States as

\(^{119}\) Article 16 EU Charter
\(^{122}\) British American Tobacco and Others v Department of Health [2016] EWHC 1169 (Admin) para 862
\(^{123}\) Article 52(1) EU Charter
\(^{124}\) Case C-92/09 Volker and Others v Land Hessen (2010) ECR I-11063 paras 62 - 66
agencies of the State'. Subsequently, it has to be determined, whether the limitation ‘meets an objective of general interest recognised by the EU’. The explanatory memorandum of the Commission on the TPD, expressly states that the obligations imposed on the tobacco manufacturers are “necessary” for the achievement of improvement on the internal market and guaranteeing a high level of consumer and health protection under Article 35 and 38 of the CFR respectively. The next analytical stage is whether the measures are proportionate i.e. measures implemented by acts of the European Union are appropriate for attaining the objective pursued and do not go beyond what is necessary to achieve it. The question arising in the case of plain packaging and the TPD is whether the measures are really necessary for the protection of human health, because it is difficult to contemplate how severe limitation of trademark rights or even essential obstruction of such rights is a necessity for achieving the sought protection. The CJEU gave the answer to this question in its preliminary ruling in Phillip Morris Brands SARL and Others v Secretary of State for Health that the labelling measures do not go beyond what is necessary to achieve the objectives of the TPD. Thus, the limitation on the exercise of the fundamental right freedom to conduct a business of the tobacco manufacturers is fully proportionate and justified under the Article 52(1) of the CFR and most importantly the principle of proportionality.

II.3. Harmonisation grounds Article 114 TFEU and the elimination of obstacles to trade under the TPD

II.3.1. Broader EU perspective

It seems that imposing measures and restricting particular rights with these measures depends on a case-by-case basis whether the aim pursued legitimately allows authorities to restrict trademark holders from their enjoyment of to use their trademarks. Each measure introduced within the European Union framework has to have as one of the main objectives the free movement. Therefore, the TPD, more specifically the new labelling requirements, has not only

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125 Case C-282/10 Dominguez (2012) ECLI:EU:C:2011:559, Opinion of AG Trstenjak para 83; The Court did not rely on the Charter in the case [emphasis added]
128 Adriano Vanzetti, ‘Smoking or physical exercise?’ [2014] 36(10) EIPR 613
129 Case C-547/14 Phillip Morris Brands SARL and Others v Secretary of State for Health [2016] OJ C 56 ECLI:EU:C:2016:325 para 60
public health policy objective, but Internal Market objective. In that sense, it is contested by manufacturers pointing out that in this way new products would be at disadvantage when introduced on the market and that when a new product is introduced in a Member State, it would be difficult, even impossible to communicate it to the consumers, due to the advertising restrictions from the past and now the plain packaging. These bans will ultimately prevent market access and distort competition on the market. New competitors will not be able to properly introduce their products on the market and communicate their messages through trademarks, in order to inform consumers about the origin of the product, meaning that the undertaking behind the product values the choice of the consumers and wants to make sure they receive the quality demanded. It will be detrimental, because the already established tobacco manufacturers’ products on the market have gained popularity and the consumers will decide to bet on the ‘safe and known’ option, instead of opting for the new product. Furthermore, without any means of communication between consumers and undertakings new products will not be identifiable at all. In other words, plain packaging would be discriminatory to new competitors and newly imported products and detrimental to the present tobacco manufacturers. However, the CJEU has refuted this statement with number of different arguments. Under the Keck case\textsuperscript{130} plain packaging is a product-bound measure, which would apply to all products of the particular category, namely tobacco products, and there is no different treatment between domestic and imported products.\textsuperscript{131} Labelling requirements of the particular Member State would have been discriminatory, if it was applied only to imports. Moreover, it was challenged that due to the display prohibitions of and on products (advertising and trademarks) there is a risk of potential obstacles to trade such as the free movement of goods, which would distort the competition on the market.\textsuperscript{132} It would be contrary to one of the basic principles of the European Union stated within Article 26 TFEU\textsuperscript{133} (ensuring that measures adopted do not restrict, but promote the free movement of goods). Nonetheless, under Article 114 TFEU EU legislatures are authorised to adopt any measure for removing hindrances to trade or such of preventing future entrenchments to occur in the future.\textsuperscript{134} Particularly, in the situation where Member States have adopted different methods, resulting in dissimilar levels of protection with respect to a certain product.\textsuperscript{135} Therefore, it was considered in the Phillip Morris case\textsuperscript{136} that the introduction of plain packaging would lead to harmonisation on the market to a

\textsuperscript{130} Case C-267/91 Keck and Daniel Mithouard (1993) ECR I-06097
\textsuperscript{131} Case C-267/91 Keck and Daniel Mithouard (1993) ECR I-06097 para 17
\textsuperscript{132} Alberto Alemanno, ‘Out of Sight Out of Mind’ [2012] 18(2) CJEL 197, 242
\textsuperscript{133} Consolidated version of the Treaty on the Functioning of the European Union (2012) OJ C 326/47, art 26 (hereinafter TFEU)
\textsuperscript{134} Article 114 TFEU
\textsuperscript{135} Yi Shin Tang, ‘Second Tobacco Products Directive: proportionality of public health measures against potential competition distortions’ [2016] 38 ECLR 1
\textsuperscript{136} Case C-547/14 Phillip Morris Brands SARL and Others v Secretary of State for Health [2016] OJ C 56 ECLI:EU:C:2016:325 para 59
certain extent, because the TPD lays down general packaging requirements for all Member States, meaning that the requirements for trade of the tobacco products would be the same throughout the whole European Union. The appeal was made by the Dominican Republic and involved many other countries. The decision released by the WTO dispute panel has been contemplated as providing green light for other countries to introduce or implement (in the case of Member States and the TPD) similar laws.

II.3.2. Specific application of Article 114 TFEU to the TPD rules

Under the TPD the major disparities between the regulations of tobacco products of the different Member States have to be eliminated. The rules under the TPD are just minimum set of requirements, under Article 24(2) TPD Member States have the opportunity to introduce further standardisation of the packaging. Therefore, it is possible that the labelling rules vary from one Member State to another. The small disparities resulted from different labelling schemes of the national plain packaging rules seem to be the only obstacle to trade that may arise after the implementation of the TPD. However, Article 114 TFEU ‘does not operate on the basis of the all-or-nothing principle’ i.e. different details on the packaging would not be an obstacle to trade, or at least it will be less serious compared to the previous ones. Previously, each Member State had different rules on the size of the pack, the number of cigarettes in a pack, whether there would be pictorial warnings or only written warnings on the packs. Article 24(2) TPD is not unlawful as the trademark proprietors have claimed, but serves the purpose to allow Member States to introduce further labelling requirements not harmonised by the TPD. The TPD is a partial harmonisation and improvement towards the achievement of the smooth functioning of the internal market. It establishes a uniform basic design and manufacturers will be required

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137 Recital 53 TPD; Alberto Alemanno & Enrico Bonadio, ‘Plain packaging of cigarettes under EU law’ [2012] available at: <Online source>
138 Dispute Settlement DS441; DS458; DS435 <Online source>
139 Argentina, Brazil, Canada, European Union, Chile, Guatemala, Honduras, India, Japan, Korea, Republic of; Malaysia, Mexico, New Zealand; Nicaragua, Norway, Philippines, Russian Federation, Singapore, Chinese Taipei, Thailand, Trinidad and Tobago, Turkey, Ukraine; United States, China, Nigeria, Indonesia, Peru, Saudi Arabia, South Africa, Cuba, Uruguay, Zimbabwe, Ecuador
139 Australia wins landmark WTO tobacco plain packaging case’ (ABC News, 2017) <Online Source>
140 Recital 4 TPD
141 Recital 5 TPD
142 Recital 53 and Article 24(3) TPD
144 British American Tobacco and Others v Department of Health [2016] EWHC 1169 (Admin) para 264
145 Case C-547/14 Philip Morris Brands SARL and Others v Secretary of State for Health [2016] OJ C 56 ECLI:EU:C:2016:325 paras 83-84
147 Case C-547/14 Philip Morris Brands SARL and Others v Secretary of State for Health [2016] OJ C 56 ECLI:EU:C:2016:325, Opinion of AG Kokott para 119
to adapt it to the specificities implemented by each particular Member State. Previously, the CJEU has accepted partial harmonisation and the existence of a margin of appreciation for the Member States to decide on the further level of protection. The CJEU has concluded that the small disparities between national legislations are not sufficient to be categorised as obstacles to trade and unlawful under Article 114 TFEU. Evidently, small disparities are acceptable, if the goal pursued is a high level of health protection. What is more, it would have been possible for the disparities to be accepted under Article 168 TFEU, even if they were on a larger scale, because harmonisation may be excluded when the EU is introducing measures with direct effect on the protection of public health from harmful substances, including exposure to and use of tobacco.

II.4. Concluding Remarks

It is clear that that the labelling requirements under the TPD and if taken further, the plain packaging of tobacco products, are justified under EU law and the interests of the public (receiving greater health protection) are balanced with the intellectual property rights of the tobacco manufacturers. However, the trademark proprietors are still restricted from completely using their figurative and colour marks, which fully undermines the functions of the signs. The word marks can be used, but have to be in a generic colour and font. It seems that throughout the legislators have adopted the salami slicing tactic when it comes to tobacco products, i.e. slicing until there is no more left to slice. The slicing expressed through the gradual restriction on the use of trademarks, first restriction in advertising, then restriction on labelling, which reached its peak with the introduction of the TPD. The question arising is whether the current limitations or if further developed, more severe ones, on the use of trademarks are so egregious and blatantly unfair, that a whole are of intellectual property would be made at some point redundant and the whole concept of having and registering trademark would be diminished or would even become non-existent?

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148 British American Tobacco and Others v Department of Health [2016] EWHC 1169 (Admin) para 446
149 Case C-547/14 Phillip Morris Brands SARL and Others v Secretary of State for Health [2016] OJ C 56 ECLI:EU:C:2016:325 para 58
150 Article 168(5) TFEU
Section III. Use of trademarks – a right or a privilege under Paris Convention and TRIPS Agreement

This Section investigates the rights conferred upon registration of a trademark to the proprietors and determines that there is no actual or even implied right to use under the TRIPS Agreement and the Paris Convention contained within the provisions of these two legislations. The section deals with the analysis on the rights transferred upon registration of a trademark to the trademark proprietors under the Paris Convention and the TRIPS Agreement, which EU and EU Member States are signatories to and they are bound by.\footnote{Council Decision (of 22 December 1994) concerning the conclusion on behalf of the European Community, as regards matters within its competence, of the agreements reached in the Uruguay Round multilateral negotiations (1986-1994): (1994) OJ L 336 p 1; Opinion 1/94 (1994) ECR I-05267, ECLI:EU:C:1994:384} It argues that trademark proprietors have a right to exclude others from using their marks, but not a right to use their trademarks. It is analysed that the right to use is actually a privilege to use given by the state, which in the pursuit of a high priority public objective can be taken away.

The EU legislators are required to be entirely consistent with the international agreements and the obligations of Member States and EU as signatories must not be affected by Directives or Regulations, which means that the fundamental protection of intellectual property rights is derived from the Paris Convention and the TRIPS Agreement and must not be altered.\footnote{First Council Directive 89/104/EEC of 21 December 1988 to approximate the laws of the Member States relating to trademarks (1989) OJ L 040/0001} The Convention and the TRIPS set the minimum standards for regulation of intellectual property for their signatories and aid the proper protection of intellectual property rights. For trademarks the rights conferred upon registration are expressly stated as being the exclusive right to prevent all third parties from using similar or identical sign for similar goods/services in the course of trade under the TRIPS.\footnote{TRIPS: Agreement on Trade-Related Aspects of Intellectual Property Rights (1994) Marrakesh Agreement Establishing the World Trade Organization, Annex 1C, (1869) UNTS. 299, (1994) 33 ILM 1197 (hereinafter TRIPS Agreement), art 16(1)} That is the only expressly identified right, there is no expressly defined right to use. It is the same in the Paris Convention, it is presumed that a trademark in all cases is used, but there is no express provision identifying a right to use, it says that the right to exclude could be gained through use, but not that there is a right to use.\footnote{Paris Convention for Protection of Industrial Property of March 20 1883, Article 6quinquies C(1) (hereinafter Paris Convention)} This leads to the conclusion that trademark rights are recognised only as \textit{ius excludenti alios (a negative right)}, the right to exclude third parties from using the registered sign or acquiring any of the rights on the mark, assigned to the mark upon registration under the Conventions and the CTMR as opposed to the common believe about the existence of a right to use (positive right). The essential substance of a trademark is not found in the right to use a particular sign unimpeded by provisions of public law or without authorities’ intervention, but it is the right of the proprietor to exclude all others from using that particular sign, this was argued by the AG in \textit{British
American Tobacco (Investments) case\textsuperscript{156} in 2002. That leads to the depiction that registration of a trademark does not provide a right to use, but it is ‘a characteristic intrinsic to the freedom to carry out commercial activities in the market’.\textsuperscript{157}

III.1. A right or a privilege?

Another way of defining the ‘right’ to use a trademark is as a privilege or a beneficial aspect granted following a registration of a sign as a trademark. The Commission uses the word ‘obligations’ and not ‘restrictions’ to describe the new packaging measures.\textsuperscript{158} There is a requirement/obligation to use a trademark within 5 years after registration under Article 15 of the CTMR\textsuperscript{159}. The owner is required to use the newly registered trademark. A right to use would have meant that a proprietor has the right to decide whether or not to use a particular trademark. Without a right to use, a requirement to use or not depends on the countries’ discretion and whether this requirement serves to the attainment of a specific goal. The use of trademarks is an advantage that trademark proprietors receive from the state and it can be taken away by the state. Thus, to use a trademark can be defined as a freedom given to trademark proprietors to identify their goods and services, to show them to the public and distinguish them from the goods/services of their competitors.\textsuperscript{160} Accordingly, the TPD labelling requirements are the obligation imposed on tobacco manufacturers not to use their trademarks. Therefore, using a trademark is a freedom that undertakings become privileged to exercise upon registration and it is different from a statutory right to use. This evaluation is based on the Hohfeldian analysis, which draws a line and divides rights in two types, or as mentioned above rights and privileges. A right is something that is given and could be enforced against third parties. While a privilege is enjoyed by the proprietors and is not a right in its strict sense. Mark Davidson and Patrick Emerton build up on this concept that the use of a mark could be recognised as being a legal permission to engage in commercial activity.\textsuperscript{161} Before registration of a particular mark takes place, any person has the privilege of using the sign, hence, registration exists, namely to grant to the trademark proprietors the negative right to exclude others from exploiting the brand and to limit third parties’ privilege of using the particular trademark.\textsuperscript{162} Consequently, right to use does not exist and is not granted upon registration, but is merely a privilege that is taken away.

\textsuperscript{156} Case C-491/01 British American Tobacco (Investments) and Imperial Tobacco [2002] ECR I-11453, Opinion of AG Geelhoed para 266

\textsuperscript{157} Enrico Bonadio, ‘Plain Packaging of Tobacco Products under EU Intellectual Property Law’ [2012] EIPR 599


\textsuperscript{159} Article 15 CTMR

\textsuperscript{160} ICANN Organisation, ‘Evidence of ‘Use’ Requirement for Trademark Protections’ <Online Source>

\textsuperscript{161} Mark Davison, Patrick Emerton, ‘Rights, Privileges, Legitimate Interests, and Justifiabilty: Article 20 of TRIPS and Plain Packaging of Tobacco’ [2014] 29(3) AmUlnl’ILRev 505

from third parties with the right to exclude others from using a trademark and is enjoyed only by
the proprietor of the trademark. Yet, privileges, granted by public authorities, can as well be
taken away when pursuing high priority public interests. The encumbrance of the privilege to
use tobacco trademarks is deemed to be necessary in order Member States to ensure higher
protection of public health. Therefore, tobacco manufacturers are stripped of their privilege of
using their trademark, which as mentioned above does not equate to deprivation of a right. The
trademark proprietors cannot challenge the TPD’s labelling requirements by trying to invoke
positive rights to use signs that are non-existent even after registration of a trademark.

III.2. International assessment on the existence of a right to use –
Paris Convention
It has been convincingly argued by legal scholars (e.g. Mark Davison, Nuni Pires de Carvalho)
that TRIPS and the Paris Convention do not provide trademark owners with a positive right to
use.163 These international legislations are recognised and introduced by the WTO and the
WIPO, in order to further the global development and acknowledge the existence of intellectual
property rights. Consequently, IP laws are developed and interpreted in a manner to boost
economic growth, provide incentives and rewards, while in the same way improving human
welfare, hence, intellectual property protection and human development, that at large means
ensuring protection of public health, are not mutually exclusive.164 Indeed the WTO panel has
supported the view that there is no right to use provided upon registration to the trademark
proprietor, but it did say that there are implied legitimate interests of trademark owners, which
include the interest of using their trademarks in relation to the relevant goods and services.165
Thus, Daniel Gervais has argued that the ‘Spirit of Paris’ entails the existence of a positive right
to use, which is in the fundamental for ‘obtaining and maintaining registration’ and directly
defines the scope of protection.166 A registration providing only a negative right was also
considered to be too formalistic and that without a right to use implied in the international
conventions, registration would be hollow and would annihilate the whole aim of the system,
mainly to offer the effective means of trademark owners to protect their intellectual property.167
However, nowhere it is found wording about the right to use, even the writers (Gervais e.g.),
who allege the existence of such right, have agreed to that. It has been relied on the Paris
Convention that the provisions imply that registered marks and even unregistered are expected

Bulleting 105 at Nuno Pires de Carvalho, The TRIPS Regime of Trademarks (Designs *Kluwer, 2nd ed, 2011), 343
164 J. Janewa OseiTutu ‘Human Development as a Core Objective of Global Intellectual Property’ [2016] 105
KentuckyLJ 1
166 Mark Davison, ‘Plain packaging of tobacco and the “right” to use a trade mark’ [2012] 8 EIPR 498
167 Alberto Alemanno, ‘Out of Sight Out of Mind’ [2012] 18(2) CJEL 197
to be used and there is no likelihood that the use is prevented or restricted in some way, because it is an essential part of owning a trademark. Yet, exact wording such as ‘right to use’ is missing and the lack of such right and wording has been verified in 1950s, when the Paris Union expressly rejected a proposal for inclusion of a right to use in the Paris Convention for trademark owners.\(^{168}\) There is the presumption that, if there was such a right, there would not have been a proposal to insert it in the Convention.\(^{169}\) Therefore, no right to use is found within the Paris Convention.

However, the question arises why registration of trademarks exist when their use is prohibited. Mark Davison argues that there are situations where registration without right to use would make a perfect sense.\(^{170}\) For example, where a product is awaiting a regulatory approval before it is sold in the country of registration, then the proprietor of the mark ought to prevent third parties from using similar or identical sign for their products or when there is a restriction imposed on a particular industry and until the restrictions are lifted the proprietors may wish to protect their trademarks from their competitors.\(^{171}\) Despite these situations being valid examples, they are somewhat isolated or special cases and are not common in the economic reality as regards to trademark affairs. A better explanation could be based on the statement provided by the Opposition Division that an absolute obligation to use a trademark in the form that has been registered would ignore the constant evolution on the market and the needs of the proprietors to adapt the use of their marks to the new contexts, but the modifications made by a proprietor have to be in such a way that the distinctive character of the mark is not altered.\(^{172}\) Consequently, the so-called evolution on the market targets consumer welfare, including the protection of public health, which resonates in the introduction of plain packaging measures for tobacco measures. This is a further implication that there is no right to use, but an obligation can be imposed to use a trademark by the country where the sign was registered, depending on the legislation of that country. This further suggests that a right to use was never intended to be included under the Paris Convention, but more of a discretion for its members to include a requirement a sign to be used after and even sometimes before registration. The aim of that is to allow the countries to preserve the position of trademark proprietors, while pursuing policy objectives of high priority, even if the achievement of those objectives entails interference,

\(^{169}\)Mark Davison, ‘Plain packaging of tobacco and the “right” to use a trade mark’ [2012] 8 EIPR 498
\(^{170}\)Mark Davison, ‘The Legitimacy of Plain Packaging under International Intellectual Property Law: Why there is no Right to Use a Trademark under either the Paris convention or the TRIPS Agreement’ [2012] available at: <Online source>
\(^{171}\)ibid
\(^{172}\)European Legislation Analysis Subcommittee, ‘What constitutes use of a registered trademark in the European Union (including New Member States)’ [2004] <Online source>
even obstruction of trademark use.\textsuperscript{173} However, governments will not compromise their ability and chance to protect human health by introducing an additional right to use a trademark.\textsuperscript{174} Hence, the conclusion can be drawn that the EU through the Paris Convention has been offered the opportunity to preserve trademark rights (the right to exclude, not to use) while the high priority policy objectives are pursued even if it would restrict the use of trademarks.

### III.3. Wording of TRIPS – Is there a right to use?

Yet, the situation with the wording of the provisions in the TRIPS is more complicated and there could truly be drawn a conclusion about the existence of a positive right, as the one of Daniel Gervais (positive right is fundamental for obtaining and maintaining registration). It is important to point out that should be interpreted simultaneously with core principles of the Agreement laid down by Article 8:

> 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.\textsuperscript{175}

Therefore, the interpretation of the provisions of TRIPS should not in any way prevent countries from implementing measures that have the goal of promoting public health and welfare.\textsuperscript{176} As pointed out earlier, under Article 16 of the TRIPS, the only right that is specified is the one to exclude third parties from using an identical or similar mark as the one of the proprietor, both for similar and dissimilar goods or services, as long as the use of third parties is likely to damage the interests of the owner of the earlier mark.\textsuperscript{177} There is no wording suggesting a right to use, it is merely about the wrongful use of an identical or similar sign by a third party.

#### III.3.1. Article 17 TRIPS

Yet, TRIPS provisions are not focused only on the rights of the proprietors, but consider the interests of third parties as well. Article 17 of the TRIPS\textsuperscript{178} provides limitations and exceptions for the third parties and not for the trademark proprietor, by preventing trademark owners from registering descriptive terms as trademarks, which would otherwise restrict third parties from including the descriptive terms, that could be essential sometimes, in their commercial activities.

\textsuperscript{173} Mark Davison, ‘The Legitimacy of Plain Packaging under International Intellectual Property Law: Why there is no Right to Use a Trademark under either the Paris convention or the TRIPS Agreement’ [2012] available at: <Online source>

\textsuperscript{174} ibid

\textsuperscript{175} Article 8(1) TRIPS Agreement

\textsuperscript{176} Mark Davison, ‘The Legitimacy of Plain Packaging under International Intellectual Property Law: Why there is no Right to Use a Trademark under either the Paris convention or the TRIPS Agreement’ [2012] available at: <Online source>

\textsuperscript{177} Article 16 TRIPS Agreement

\textsuperscript{178} Article 17 TRIPS Agreement
Other examples of limitations have been included under Article 6 of Directive 89/104\textsuperscript{179}, thus facilitating deeper understanding of the TRIPS provision.\textsuperscript{180} The CJEU has not really ruled upon Article 17, except in one case, where it expressly stated that provision is directed towards third parties and is included, in order to make sure that trademarks are used ‘in accordance with honest practices in industrial or commercial matters’.\textsuperscript{181} This could be presented again under the Hohfeldian analysis, that all businesses or undertakings have the privilege of using any sign \textsuperscript{[emphasis added]}, as long as it is not registered. Through registration the proprietor of the sign restricts the privilege only to himself/herself and exclude others from benefiting of that initial freedom. Thus, Article 17 is needed, in order to prevent trademark owners from abusing the right to exclude third parties from using a particular sign, by providing limitation on ‘fair use of descriptive terms’ or the use of a registered sign by third parties in the course of the normal business practices. A good interpretation would be that the limitation of trademark rights (Article 17) balances the proprietor’s interest to being able to make use of the privilege/freedom to use the trademark, so the sign can perform its function, against the interests of other traders to have ‘full access to the market’.\textsuperscript{182} Article 17 guarantees that the privilege of the owner to use a trademark is protected while at the same time the interests of third parties are equally preserved.\textsuperscript{183} Therefore, no right to use is neither included, nor implied in the wording of Article 17 TRIPS.

### III.3.2. Article 19 TRIPS

Still, the true ‘Spirit of TRIPS’ is said to be contained in Articles 19 and 20.\textsuperscript{184} Article 19 provides the ‘Requirements for Use’, under its section 1 the minimum of cancelation due to non-use has to be an uninterrupted period of at least three years. After these three years, a Member States has the discretion of removing the trademark from the register and cancel its registration. In this way, a trademark is protected and a signatory cannot cancel the registration until this period has expired or unless the owner manages to demonstrate obstacle to use, which are not dependent on him/her. This provision also shows the minimum standards of protection that the

\textsuperscript{179} Limitation of the effects of a trade mark… The trade mark shall not entitle the proprietor to prohibit a third party from using, in the course of trade…. (a) his own name or address;…. (b) indications concerning the kind, quality, quantity, intended purpose, value, geographical origin, the time of production of goods or of rendering of the service, or other characteristics of goods or services;…. (c) the trade mark where it is necessary to indicate the intended purpose of a product or service, in particular as accessories or spare parts;…. provided he uses them in accordance with honest practices in industrial or commercial matters… 2. The trade mark shall not entitle the proprietor to prohibit a third party from using, in the course of trade, an earlier right which only applies in a particular locality if that right is recognized by the laws of the Member State in question and within the limits of the territory in which it is recognized, Article 6 First Council Directive 89/104/EEC

\textsuperscript{180} Jeremy Phillips, \textit{Trade Marks at the Limit} (Edward Elgar, 2006) p 8

\textsuperscript{181} Case C-254/02 \textit{Anheuser-Busch Inc v Budejovický Budvar} (2004) ECR I-10989

\textsuperscript{182} Case C-228/03 \textit{Gillette v LA Laboratories} (2005) ECR I-02337, Opinion of AG Tizzano

\textsuperscript{183} Jeremy Phillips, \textit{Trade Marks at the Limit} (Edward Elgar, 2006) p 9

\textsuperscript{184} Mark Davison, ‘Plain packaging of tobacco and the “right” to use a trade mark’ [2012] 8 EIPR 498
TRIPS lays down for all of its signatories. Nevertheless, what is missed out by the critics is the start of the provision:

If use is required [emphasis added] to maintain registration... the registration may be cancelled only after an uninterrupted period of at least three years of non-use...

It can be interpreted as it is up to the signatories whether to require a use of the registered mark, which goes back to the earlier argument that there is no right to use a trademark, but a freedom to use it, which may or may not be restricted or required to be performed (as in the plain packaging regime) by the public authorities. As mentioned earlier, under EU there is an obligation for the trademark owners to engage the registered trademark in their economic activities. The proprietor has the freedom to use or not use the trademark, but all signatories to TRIPS prefer to require the owners to use the registered marks, in order to prove their initial interest in registering it and did not do so in bad faith, just to restrict the use of the particular sign by a third party (e.g. Lindt case). What is more, since the aim of the TRIPS is to promote human welfare and to protect and acknowledge intellectual property, it is difficult to say based on the evaluations made, that at the same time TRIPS provides the right to use a trademark and gives Members the authority to deprive the owners from it. Therefore, Article 19 does not imply in any way a right to use a trademark. As to the promotion of human welfare, signatories have reached the conclusion that the aim can be achieved by reducing the extent of the usage of a trademark.

### III.3.3. Article 20 TRIPS

While Article 19 applies to registered trademarks, Article 20 applies to all trademarks, not only to registered, but to unregistered as well, which include the trademarks that have acquired their distinctiveness through use. This strongly suggests the existence of an implied right to use. Article 20 does not allow encumbrance of the use of a trademark by special requirement, unless the encumbrance is justified. The provision explicitly says that the use of a trademark shall not be unjustifiably encumbered. It is arguable whether the plain packaging regime affects the consumers’ ability to differentiate the goods of the different tobacco manufacturers.

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185 Mark Davison, 'The Legitimacy of Plain Packaging under International Intellectual Property Law: Why there is no Right to Use a Trademark under either the Paris convention or the TRIPS Agreement' [2012] available at: <Online source>
186 Article 19(1) TRIPS Agreement
187 Case C-529/07 Lindt v Franz Hauswirth GmbH (2009) ECR I-04893: Is the applicant to be regarded as acting in bad faith if he applies for the trade mark in order to be able to prevent a competitor from continuing to use the sign, where, at the time he files his application, he knows or must know that by using an identical or similar sign for the same goods or services, or goods or services which are so similar as to be capable of being confused, the competitor has already acquired a “valuable right”.
188 Amulya Chinmaye, Saahil Dama, ‘Plain packaging: TRIPping on trade marks?’ [2016] 11(12) JIPL&P 910
189 Article 20 TRIPS Agreement
190 Mark Davison, ‘Plain packaging of tobacco and the "right" to use a trade mark’ [2012] 8 EIPR 498
191 Article 20 TRIPS Agreement
in a “detrimental manner”. The term is a rather strong one and the measure does not harm the consumers, to not know what they buy for example, because there is space left on the packaging indicating the type of cigarettes, despite its generic appearance. For comparison in NAFTA (North American Free Trade Agreement) under Article 1798(10) it is used the word ‘reduce’, which if used in the TRIPS, plain packaging would have been deemed to be an unjustified encumbrance. Even though, the labelling requirements of the TPD seem severe, because there is an economic value attached to a trademark and the question arises whether it can be used or not. However, the acquisition of a property, which value can be attached to, does not create a basis for assuming the existence of any rights that can be postulated and that are beneficial for increasing or maintaining that value. Wishing and demonstrating the existence of a particular right to be attached to a property, which would be favourable for the owner, does not make it so.

III.3.4. Labelling requirements for use of trademarks under Article 8 and Doha Declaration

Another way of indicating that the imposed labelling requirements on the interests (privileges to use) attached to a trademark registration and that such measures are actually not an encumbrance and if they are an encumbrance, it is a justified one, is by examining the context of Article 8 of the TRIPS Agreement and its interpretation in combination with the Doha Declaration. As mentioned earlier since Article 8 lays down the core principles of the TRIPS Agreement, all other provisions have to be interpreted by taking account the necessity of protecting ‘public health and nutrition, and to promote the public interest in sectors of vital importance to their socio-economic and technological development’. Nevertheless, the wording of Article 8 and the Doha Declaration differentiates. In the TRIPS (article 8), it is stated that measures have to be ‘necessary’ for the achievement of public health objective, while under Declaration the ‘necessity’ requirement is missing, it merely provides the possibility of adopting such measures ‘in a supportive manner’ of public health. Therefore, opponents of the plain packaging argue that the TRIPS being the main treaty must

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193 ibid
194 Mark Davison, ‘Plain packaging of tobacco and the “right” to use a trade mark’ [2012] 8 EIPR
195 ibid
196 Article 8(1) TRIPS Agreement
197 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
199 The Doha Declaration on the TRIPS Agreement and Public Health (2001) paras 4 & 17
be looked at in a stricter sense, meaning that the requirement of ‘necessity’ should be emphasized upon\textsuperscript{200} when deciding whether plain packaging measures are really necessary for the realisation of public health objective and there is no other way for attaining the goal. If the necessity could not be proven and there are other ways found for the achievement of improved public health, then the measures would be deemed to be an unjustified encumbrance. Nevertheless, according to Article 31(3)(a) of the Vienna Convention on the Law of Treaties\textsuperscript{201} the Doha Declaration should be considered as a subsequent agreement of the treaty, that being the TRIPS Agreement.\textsuperscript{202} Hence, the Declaration has the aim to assist and support the rules and requirements laid down under the TRIPS. Both Agreements must not be considered independently, but in conjunction, in order the clear set of rules for achieving public health to be ascertained. Doha Declaration states that countries should not be able to adopt measures under the TRIPS Agreement and not to be interpreted in a way, which prevents or deters the achievement of the objective of high priority.\textsuperscript{203} The provisions of the Declaration, interpreted together with Article 8 TRIPS, remove the confusion around the ‘necessity’ requirement by lowering the threshold for adopted measures and their justification under TRIPS and for the accomplishment of public health objective. This was also affirmed in the recent case against the plain packaging rules introduced in the UK, \textit{British American Tobacco v Department of Health}\textsuperscript{204}. Mr. Justice Green stated that there is no right to use under TRIPS and that the treaty has to be interpreted consistently with the Doha Declaration, which is to be applied in its broader sense, as allowing the adoption of different kind of measures for the achievement of public health goal through regulating the exercise of intellectual property rights.\textsuperscript{205} The Declaration has to be interpreted in a supportive manner of its members’ right to pursue public health objective. What is more, under Article 8(1) TRIPS and the interpretative principles of Doha Declaration it was held that limitations on trademarks can be adopted by members, if ‘they are necessary or directly related to the protection of human health’,\textsuperscript{206} In other words, members have the discretion to adopt any measures they see fit, if that will contribute to the promotion of public health. Thus, it can be concluded that it is unlikely that the provisions of the TRIPS Agreement and the Doha Declaration present the trademark proprietors with a right to use trademarks, i.e. members are allowed to adopt measures to restrict the use of trademark on products/services, if these measures would contribute positively for the achievement of public health goal.

\textsuperscript{200} Amulya Chinmaye, Saahil Dama, ‘Plain packaging: TRIPping on trade marks?’ [2016] 11(12) JIPL&P 910
\textsuperscript{201} Article 31(3)(a) Vienna Convention in C.A. McLachlan, ‘The Principle of Systematic Integration and Article 31(3)(c) of the Vienna Convention’ [2005] 54(2) IntCompLQ 279
\textsuperscript{202} Benn McGrady, ‘Revisiting TRIPS and Trademarks: The Case of Tobacco’ [2012] available at: <Online source>
\textsuperscript{203} The Doha Declaration on the TRIPS Agreement and Public Health (2001) para 4
\textsuperscript{204} British American Tobacco and Others v Department of Health [2016] EWHC 1169 (Admin)
\textsuperscript{205} British American Tobacco and Others v Department of Health [2016] EWHC 1169 (Admin) para 181
\textsuperscript{206} ibid para 916 (iii)
Chapter 2.

Chapter II is divided in three sections and its aim is to argue against the plain packaging and the TPD.

Section I. Importance of trademarks as brands

This section presents an analysis on the importance of trademarks and the brand created by the signs on the market and their significance for the benefit of consumers (consumer protection), including the economic challenges faced by the new regime. (according to INTA). It defines the importance of trademarks and the brands created through trademarks for consumers and economic development. It seems that economic and health objectives and interests of trademark owners are compared and balanced in accordance with the WTO, WHO, EU law and fundamental human rights principles in such a way, that public health protection is prioritized over the WTO market access obligations and further economic rights. Yet, it has to be taken into consideration whether without the existence of a right to use and the encouraging results following the implementation of plain packaging in Australia, the limitations imposed on the trademark proprietors adequately reflect the practical and economic reality, despite fully legislatively justified and justified for the realisation of improved public health, which all countries are aiming at. There has to be further evaluation of the practical economic reality and not only the theoretical one, meaning that trademarks play an invariable part in everything that is happening on the market.

I.1. What is a trademark and why the removal of trademarks is detrimental?

A sign being a trademark becomes the legal emblem and signifier of the undertaking behind it, that is why a great deal of resources are invested in promoting and maintaining trademarks. Another way of putting this is that an undertaking defines itself through its trademarks and restricting the display of those marks will force their value and significance to become terminated. Thus, it completely disregards the interests of trademark proprietors and the TPD introduces a dangerous model for eliminating product differentiation and depriving owners of their trademark rights. Consequently, human and economic development will be undermined, despite being the topmost priority of every country. In essence, the new measures aimed at standardising the appearance of the tobacco products’ packaging by removing their attractiveness, thus reducing the prevalence and uptake of smoking, terminate the last means of communication left to the tobacco manufacturers. The removal of trademarks is a strong restraint of the commercial freedom of the manufacturers, particularly in the EU, where all other forms of tobacco advertisement are prohibited. It is so, because the signs put on the packaging has been the last and ultimate tool of advertising and promotion for years now and by prohibition on the use of trademarks, manufacturers are unable not only to advertise and promote their products, but also to be able distinguish their products from the ones of their competitors and to communicated the origin the products to the public, hence, consumers are restricted from making a fully informed choice, which is also the fundamental function of a trademark. Therefore, trademarks being limited of performing their essential function seems grossly disproportionate and there is no real protection conferred upon registration i.e. the international conventions and agreements for the protection and recognition of intellectual property become obsolete as long as countries consider that a restriction is needed in the pursuit of a particular goal. The protection of intellectual property rights and human health are not and ought not to be mutually exclusive, but under the plain packaging regime it seems that they are. In the current situation, the limitation on the essential function of trademarks has the potential to deter economic development on the market. Economic development is realised through human progress, which is one of the objectives of intellectual property, rather than an exception to the protection and vice versa intellectual property protection is needed for the fulfilment and promotion of human development.

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210 J. Janewa OseiTutu ‘Human Development as a Core Objective of Global Intellectual Property’ [2016] 105 KentuckyLJ 1Property
211 ibid
I.2. Trademarks as part of the economic reality

A trademark registered in accordance with the conditions set out in the CTMR (Trademark Regulation 207/2009) has a unitary character i.e. has an equal effect throughout the whole European Union and is referred to as a ‘Community Trademark’.\(^\text{212}\) However, the CTMR was amended by the new Regulation 2015/2424, which has the aim to bring the CTMR up to date ‘in the light of experience’\(^\text{213}\). Nevertheless, the unitary character and rights conferred upon registration remain the unaffected and the new Regulation does not come into force until 1\(^{st}\) October 2017. Therefore, the CTMR will be used the main source of EU law during the analysis in this chapter. The protection of a trademark is vital, because a registered and protected sign can be fully enjoyed by its proprietor to be used as a signifier of origin, but also to attract consumers and help them to distinguish between the different undertakings offering similar or the same products/services. This essential function of a trademark was enunciated by the CJEU long before the First Trademark Directive in *Hoffmann-La Roche v Centrafarm*\(^\text{214}\), which proves the importance of the presence of trademarks on the market and as part of economic reality.

I.2.1. The importance of protecting use trademarks

Recital 8 of the CTMR states that the protection provided by a Community trademark on the function of that trademark to be an indication of origin should be absolute.\(^\text{215}\) This could be interpreted as that the function of a trademark to indicate an origin is to be protected upon registration and the benefit to use a trademark is a part of a package of rights that come when a sign is registered. It is not only a benefit, but also a requirement that a trademark has to be used. Under Article 15 of the CTMR\(^\text{216}\) proprietors are obliged to use their trademarks, then the proprietor can enjoy full protection. In other words, in order a trademark to be fully protected and enjoyed by its owner, it has to be used. Trademarks, as mentioned earlier, are indispensable part of the economic reality, which encompasses all aspects of business conduct. This makes trademarks essential elements in the system of the internal market for the achievement of undistorted competition, which the TFEU ‘is intended to establish and

\(^{212}\) Article 1 & 2 CTMR
\(^{213}\) Case C-547/14 *Phillip Morris Brands SARL and Others v Secretary of State for Health* [2016] OJ C 56 ECLI:EU:C:2016:325 para 219
\(^{214}\) Case C-102/77 *Hoffmann-La Roche v Centrafarm* at para 7 “the essential function of the trade-mark . . . is to guarantee the identity of the origin of the trade-marked product to the consumer or ultimate user, by enabling him without any possibility of confusion to distinguish that product from products which have another origin. This guarantee of origin means that the consumer or ultimate user can be certain that a trade-marked product which is sold to him has not been subject at a previous stage of marketing to interference by a third person, without the authorization of the proprietor of the trade-mark, such as to affect the original condition of the product. The right attributed to the proprietor of preventing any use of the trade-mark which is likely to impair the guarantee of origin so understood is therefore part of the specific subject-matter of the trade-mark right.”
\(^{215}\) Recital 8 CTMR
\(^{216}\) Article 15 CTMR
maintain. In that system, the undertakings must be able to attract, retain and inform consumers about the quality of their goods and services, which is possible only by the use of distinctive signs. These fundamental functions must be fulfilled by using the trademarks, making them visible or available for consumers when selecting a product. Otherwise, restricting the use of signs would threaten and decrease the ability of consumers to make reasoned choices, as there would be no difference between the messages conveyed by the packaging of similar or identical products. Thus, a measure that prevents the use of trademarks on tobacco products from delivering the institutional purpose of informing consumers and distinguishing products of a known undertaking, towards which the consumers have developed brand loyalty, due to the quality provided, would be grossly disproportionate not only as regards to the interests of the trademark proprietors, but as to the consumers as well.

I.2.2. Trademarks as a bridge between owners and consumers

A trademark is used to convey a particular message to the consumers, which message adds up to building a brand. The recognition of additional functions that are attributed to a trademark were mentioned throughout the years, but it was not until the case of *L’Oréal v Bellure NV* where the CJEU gave a wide interpretation to the meaning of ‘use’ and acknowledged that a trademark has effectively a communication, an advertising and investment function. It was held that trademark proprietors are entitled to protection of the investment made to maintain the trademark per se. Shifting the protection away from consumers and focusing it on the trademark itself has proven that trademark protection is highly valued and of great importance both for the proprietors and for the consumers. A trademark, under the ruling from *L’Oréal*, has become a connecting bridge between manufacturers and consumers. The proprietors are using the trademarks as means to communicate their messages to consumers and the consumers who have an already established perception of the undertaking behind a mark, receive and understand those messages and perceive them as an information for making a better and fully-informed choice when buying a particular product. The information ‘transmitted’ provides assurance that the product is of a certain quality followed the quality control standards of the particular undertaking behind the mark. By bearing a particular mark, consumers expect a certain quality to be delivered to them by the manufacturers. Trademark assessment has to be done in accordance with the market reality, in order that the global appreciation exercise must

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217 Case C-206/01 Arsenal FC v Reed (2002) ECR I-10273
218 ibid
220 Case C-487/07 L’Oréal SA a.o. v Bellure NV a.o. [2009] ECR I-05185
221 Irina Pak, ‘The Expansion of Trademark Rights in Europe’ [2013] 3(2) IP Theory Art. 7
222 ibid
not be purely theoretical i.e. trademark protection has to reflect the development of the market and the means that the undertakings use to engage in business activities. Thus, evaluation of protection is made on a practical level, e.g. as in the case of Davidoff v Gofkid, where the products of Gofkid were cheap imitations. The Court held that due to the highly valued products and the expectations imposed on Davidoff by the consumers to the products to meet a certain standard, the trademark owners ought to receive greater protection, when the proprietor has put effort and has invested in the promotion of the trademark. Furthermore, the use of a trademark in accordance with its functions helps the proprietors to shape in the world of modern marketing a well-promoted brand. The brand attracts consumers and creates the so-called brand loyalty, i.e. consumers who purchase products with one trademark are more likely to purchase other products with the same mark due to the power of attraction and the brand loyalty created. Put that in simple words, consumers like a particular brand and are convinced that whenever they see a product with that mark, they are convinced and perceive that the products with the same mark have the same quality as the other products to which they have a built-up brand loyalty. That is why, the use of trademarks is of high importance for conveying luxurious message, in order to influence the consumers to perceive that products/services behind the mark are contributing to a luxurious lifestyle. For example, in the case of tobacco products. As mentioned earlier, particular tobacco products using colourful and shiny marks put on the packaging in a particular way have created the 'luxurious feel' for consumers. Nonetheless, the taste and quality of the products themselves play a big part in the overall brand-loyalty. Tobacco products through the luxurious messages of the different brands have even become a social construct i.e. some consumers define their lifestyle as being high, middle or low by the tobacco products that they buy. That is why, as mentioned earlier through a trademark a brand is built and the brand becomes an indispensable part of the trademark and vice versa. Manufacturers are encouraged to produce quality goods, to bring about consumer satisfaction and to continue to use their marks as identifiers, in order preserve their brand loyalty and to challenge their competitors by attracting more consumers. Thus, trademark protection is needed in the competitive business practices, which are directed towards economic growth of society.

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224 Case C-292/00 Davidoff & Cie SA and Zino Davidoff SA v Gofkid Ltd [2003] ECR I-00389; Case C-487/07 L’Oréal SA a.o. v Bellure NV a.o. [2009] ECR I-05185
I.2.3. The effect of the new labelling requirements on the value of trademarks

Upon registration trademarks become intangible assets, hence, they have an attached value to them, which increases with the investment made in promoting them. They have these esoteric characteristics that confer messages of luxury or quality, whenever they are heard or seen; as property, they are ‘artificial products of society, not ‘physical objects’ and without affixed boundaries\textsuperscript{227}, hence, their value could be unlimited. However, being able to exercise only the negative right would be of no value, unless the proprietor has the right to use the sign.\textsuperscript{228} Therefore, in order to exercise, gain or increase that value, the proprietor has to have the right to use the trademark and not only to exclude others from using it. The best example is with the brand Marlboro which is not a company, nor a product, but simply the brand of tobacco products that are sold. The value of the brand for 2017 was estimated to be 24,1 \text{billion USD}, which puts the brand at 25\textsuperscript{th} place of the most valuable brands.\textsuperscript{229} The interesting fact is that Marlboro is not a company, it is simply the name and a trademark, the rights to it are held by the corporation Altria in the U.S. and Phillip Morris International, which handles the brand overseas. The brand was generated through use of trademarks; hence the value of the brand includes the value of the trademarks used. Nevertheless, by removing the trademarks and banning them completely to be used on the packaging, the value of that brand and the trademarks themselves would decrease and eventually they would become worthless. This does not in any case appear to be beneficial for the economic growth of the industry, nor for the achievement of perfect competition environment within the European Union. What is more, they bear great significance for the intermediaries, who deal with the products commercially and receive the benefit of the representation of registered signs on the packaging of products.\textsuperscript{230} Earlier it was discussed that after plain packaging smokers believed that the products are of lower quality than before and also that there are less satisfying, despite the high prices put on the most famous brands of cigarettes. Demand for tobacco products is fairly elastic, meaning that in time, smokers would opt for cheaper cigarettes, because without the conveyed messages for quality, all cigarettes will be deemed to be of the same low quality, thus no decrease of smokers would occur, which is detrimental for small retailers, because they will not be able to resale the expensive brands of cigarettes and will results in losses. Studies show that 75\% of the shop owners believe that the new measures have a negative impact on their business, not only because of the elasticity in demand, but also because of the additional hours spent by the staff conducting inventory management and the increased customer interaction, due to the lack of trademarks the staff

\textsuperscript{227} JT/BAT v Commonwealth [2012] HCA 43 para 107
\textsuperscript{228} Tania S.L. Voon, ‘Acquisition of intellectual property rights: Australia's plain tobacco packaging dispute’ [2013] 2 EIPR 113
\textsuperscript{230} Case C-371/02 Björnekulla v Procordia Food (2004) ECR I-05791
needed more time to communicate the products available, so that the customer makes a fully-informed purchase. 231 Furthermore, trademark-intensive industries account for highest shares of both employment and GDP contribution across the EU (e.g. in Sweden it is 23.4% and 32.5% of the GDP) to which trademarks are crucial and without the need to maintain them there is the potential risk of joblessness. 232 Evidently, the scope of application for trademarks has certainly been expanded within the European Union framework and they have become an ‘equal partner in the formation of competition policy’233, hence, their essential function (to be an origin identifier) is the raison d’être for the use of trademarks to be allowed and protected.

**Section II. Plain packaging is ineffective**

Section II criticises the effectiveness of plain packaging through assessment of economic (WHO and WTO) and research data on the prevalence of smoking before and after plain packaging regime and possible alternatives to plain packaging. A further and probably the most direct reason for not restricting the use of trademarks that is in this subsection that plain packaging is not as effective as its claimed to be, despite the approval of the courts, legislature and even the WTO. The evidence analysed will present also alternative means for attaining greater health protection.

**II.1. Economic analysis on the correlation between price increase and tobacco consumption**

As earlier said restrictions on tobacco products have been introduced and implemented since the last century. Informative campaigns for the decrease of the prevalence of smoking were initiated by governments and non-governmental organisations, which included medical evidence about the harmful effects of tobacco consumption and that the consumption, specifically smoking does not affect the smokers, but the people around them as well. These affected people are called second hand smokers and have as the smokers an increased risk of developing a tobacco smoke related disease. Despite the claims of the governments and the WHO that tobacco consumption is on its peak, researches show differently. In 2012 the WHO and the WTO engaged in a research which focused on the correlation between tax increase on

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232 INTA’s Letter to the Swedish Government regarding the Proposal for introducing plain packaging for tobacco products <Online source>

tobacco products, elasticity of demand following tax rises and prevalence of smoking. A good background figures are that in 1982-83 after price increases on tobacco products around 2 million adults quit smoking and 600,000 teenagers were influenced not to start smoking. The next thing is to point out that tobacco is like other products in the eyes of the economics, i.e. its demand responds to price changes, income changes and changes in tastes and preferences. The key aspect in the tobacco industry is that there are a few manufacturers and a lot of consumers, that is why manufacturers tend to translate the tax increase over consumers, instead of absorbing it. That is probably the only way for manufacturers to deal with increased taxation is to transfer it to the price of the final product, since there are not a lot of competitors on the market. This means that with fewer competitors there is not much competitiveness, therefore, price decrease will not attract a high number of consumers who will make up for the lost revenue due to the higher taxes. Therefore, any price increase will shift towards the price of the final product and will affect the consumers. This means that with the increase of tax on tobacco, the prices will increase as well, which according to the research will reduce consumption, because an expensive pack of cigarettes will mean that the smoker will ‘appreciate’ more every cigarette and try to preserve it as long as possible, before buying a new pack. Consequently, consumption will decline and improve public health. Youths are also more responsive to price increase, specifically – two to three times more than the estimates for adults. What is more, higher taxes mean higher revenues for governments, which enables governments to allocate more resources towards social and educational programs about the harmful effects and risk of smoking/tobacco consumption, which is known to be effective. Another indicator that raising taxes works is the Phillip Morris released statement that taxation alarms them the most. They have indicated that marketing, advertising restrictions and campaigns do depress the volume of their sales, but taxations decreases it severely, which had lead them to believe that taxation is central about smoking and health. To summarise, according to the WHO and the WTO tax increase is another applicable measure for reducing prevalence of smoking by economics strategy, hence, there is no need of restriction on the use of trademarks for tobacco products, due to the alternative means, which will have not only positive effect on the public health, but other advantages as well.

237 ibid
II.2. Plain packaging did not have any significant effect on smoking

Plain packaging has the aim of protection consumers and potential consumers. Their protection is vital, because they are the ones who buy the products, they are the ones who come in contact with the trademarks, they are the ones who assess the effectiveness of plain packaging. The intended purchasers of the tobacco products are the ones in relation to who the trademarks perform their essential function. Therefore, trademarks are necessary to carry out their fundamental purpose. A sign being a ‘conveyor of messages’ aids consumers in the homogenous markets to make fully informed purchase choices through the ‘brand image’ that the sign has created. It is vital for consumers to have their legitimate interest recognised and being able to distinguish the products of different undertakings. Without trademarks, all that would be rendered impossible. The branded packs offer highly valued symbolic benefits (information), which is appreciated by the consumers. They are the relevant public that is linked to the carrying out of the global appreciation exercise when assessing the distinctiveness of the mark. The key aspect is that the relevant public (average consumer) in the case of plain packaging is not the public as a whole, but only the smokers. Non-smokers’ perception should not be considered, because as non-consumers with or without trademarks tobacco products’ packaging is unappealing to them. The relevant public are the people who purchase the products and engage in differentiation of products through trademarks and have their own preferences for a particular product, not all people exposed to the trademarks and the availability of tobacco products. Otherwise, the ‘flexible’ approach adopted by the CJEU in determining the average consumer makes it possible for proponents of plain packaging to adduce evidence, in order to assist their primary case i.e. considering the views of non-consumer, which most certainly would turn out to be negative towards tobacco products and positive towards the new regime.

II.2.1. Plain packaging – no acceleration in the decline in number of smokers

For determining the real impact of plain packaging on the prevalence of smoking there has to be assessment of the overall data and number of smokers, not only in the year before and after the implementation of the new labelling measures, but throughout a more significant time period.

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241 Guidelines for Examination in OHIM, Part B, Examination, Section 4 Absolute Grounds for Refusal available at: <Online source>
This evaluation is necessary, in order to be seen whether there was a linear decrease throughout the years or fluctuation, which allegedly plummeted following the plain packaging regime. In a study carried out at the Department of Economics of the University of Zurich on the effect of plain packaging on the smoking prevalence of minors (14-17 years old) in Australia it has been documented that over the last 13 years (from January 2001 until December 2013) the observed prevalence has been declining steadily, with about 0.44 percentage points annually to be exact.\(^{243}\) With the established trend line (0.44 % decrease), it was observed the prevalence in smaller timeframes and it was found that despite the steady decrease there were small fluctuations after the implementation of plain packaging sometimes below and sometimes above the fitted trend line.\(^{244}\) This proves that plain packaging did not achieve any significant effect in decreasing the prevalence of smoking among youths.

Another survey published by Public Health Research & Practice has carried out its research in a greater timeframe (from 1996 until 2014).\(^{245}\) Despite the research being on the combination of factors that caused the steady decline throughout the years, it is evident that plain packaging did not accelerate the downward trend. Even more, the graph presented shows a little stalling in the decline of the trend, but the study acknowledged that the factors that contributed mostly to the decrease of smoking prevalence were the increase of the average price of cigarettes and the taxes imposed on the manufacturers. It was so, because price increase affects all smokers, from adolescents to adults. These two measures caused a decline of almost 10%.\(^{246}\) This strengthens the conclusion made after the economic analysis of the WHO and the WTO that measures that affect the price of cigarettes are the most effective ones.

Earlier it was mentioned that plain packaging will force consumers to forget brand loyalty and because they consider all cigarettes to be equal in taste in quality, they will opt for the cheaper, less popular brands, that was found through another research.\(^{247}\) Due to the lack of branding, the price has become a decisive factor for consumers when buying cigarettes. Thus, price increase will not be that beneficial for decreasing smoking rates. Because plain packaging destroys any kind of brand differentiation and communication between consumers and premium brands, undertakings lose their brand-loyal consumers. All cigarettes are treated equal and the price is the most important factor, opting for the cheapest cigarettes. On the other hand, if the


\(^{244}\) ibid


use of trademarks were not restricted, due to the brand –loyalty created, most likely consumers would still have bought the premium brands, despite the higher prices, but they would have reduced their consumption. Therefore, this is another prove that plain packaging is not as effective as it seems when a step back is taken and an observation is made on the accumulative effect of all anti-smoking measures introduced throughout the years.

II.3. Is there a viable alternative to use a trademark despite absolute ban?

Taking into account the ineffectiveness of the plain packaging regime, which potentially will be introduced in EU Member States following the introduction of the TPD, it is crucial for this thesis to propose at least alternative means for attaining higher public health protection and at the same time maintaining the interests and rights of trademark proprietors. In II.1 it was discussed that tax increase will have a positive effect on the prevention of smoking prevalence, but in combination with educational campaigns the effect could be enhanced. There is not enough media coverage of what happens in reality cigarettes can do. If there is, it is just a minor picture or one-time video. The information is mainly on the packs, which does not extend to most of the people. The concept shock education (as with juveniles) could be used so that people are shown and educated with the detailed facts about smoking and the damage caused. The idea is to spread anti-smoking campaigns throughout different media services, including video comparison or even interactive pictures such as before and after or what happens if a person smokes for 1 week up to 10 or even more years, anything that may contribute to providing the public with more detailed information about the damage of smoking. What is more, this educational audiovisual content could include information (interactive videos or pictures again) of what happens when a person quits smoking and/or confessions of ex-smokers with guidance and advice. Education is the key. Thus, more people would actually be engaged in the battle against smoking and no only the legislative measures. However, that does not mean to remove plain packaging, but to allow trademark proprietors to use some of their signs, but still preserving the size of the pictorial warnings. The attainment of that alternative requires a lot of efforts, but by engaging the public, it will have a more substantial echo and effect across society, while at the same time not completely restricting the use of trademarks.

Another alternative to plain packaging that is probably the least attainable is to follow the example of Uruguay. The measures do not include generic colour and complete removal of any signs, but that the graphic health warnings should cover 80% of the packaging, leaving 20% for

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248 ‘What is Shock Education?’ (Thirteenth Judicial Circuit Hillsborough County, 2017) <Online source>
tobacco manufacturers to use their signs.\textsuperscript{249} It is least attainable, because there has to be a reintroduction of the TPD due to disparities in the labelling requirements; While the labelling requirements in Uruguay allow use of different types of trademarks, Article 13(9) of the TPD forbids the use of any signs or texts that can in some way create a positive association between tobacco and something else. However, the wording of Article 11 FCTC is more flexible and may give room for interpretation i.e. only the deceitful and alluring signs, marks, texts etc. shall be removed, but others that are not may be left on the packaging. Article 11 can be interpreted as that trademarks can be used, as long as they do not present a tobacco products as being less harmful than other tobacco products.\textsuperscript{250} A variety of trademarks is used on tobacco products, but a test can be used to determine, which marks exactly are necessary to distinguish a particular product, in order to preserve their ‘capacity to distinguish’.\textsuperscript{251} A good example is the Marlboro Red packaging, there are red corners at the top and in-between is the trademark ‘Marlboro’ written with black coloured letters and in the famous ‘Marlboro’ font. Truly, the red corners might be considered alluring and they could be substituted with a generic colour by still preserving arrow like white shape. Yet, the black coloured letters could be used, because no one in reality connects the colour black with something positive or that the cigarettes produced under the brand of Marlboro are less harmful than the ones under the brand Dunhill. The colour black is not deceitful in terms of influencing consumers to believe that they are buying a less harmful product than other products. Therefore, if a mark does not make one think that he/she is buying something which is less harmful while in fact it is as harmful as other products, then the sign could be used under the FCTC. Similar concepts can be introduced as well, in order to not completely restrict the interests of the trademark proprietors. A further example is that manufacturers to be allowed to print a very pale, hard-to-see watermark with the logo or the brand of the cigarettes with their own chosen font, while preserving the generic font used to identify the brand of cigarettes. It would not catch the glimpse of all consumers, but only of the ones that are intentionally looking for the watermark, in order to identify the brand and buy the product. Being barely noticeable, the large graphical warning signs would catch the attention of everyone at first sight, thus, their attention is drawn to the harmful consequences of tobacco consumption and not by the watermark, which can even be put on the side, the top or the bottom of the pack. That will make it even more difficult to be seen. Additionally, the watermark could be positioned on an outside sticker removed upon sale or on the cellophane wrap of the tobacco products, that in any way is thrown out by the consumers when product is opened. It eliminates after-sale promotion, the trademark/s will be there, but hard to be seen, they will not be eye-\textsuperscript{249} Philip Morris Brands SÁRL, Philip Morris Products S.A. & Abal Hermanos S.A. v Oriental Republic of Uruguay, ICSID No ARB/10/7  
\textsuperscript{251} ibid
catching, the attention will be mainly drawn to the large pictorial warnings. The warnings would be the first thing that would come to mind to the public when plain packaging has been implemented in a particular country, due to their size, colour and shocking images. Realistically, this alternative to the current measures is practically reasonable for ensuring that the health protection objective is achieved and at the same time not fully restrict and respect the interests of the trademark proprietor. Hence, the regime will not undermine the very substance of trademark rights and will not result into trademark registration being ‘hollow formal’, which is economically meaningless.  

II.4. Concluding Remarks

Evidently, plain packaging has not had foremost success in reducing prevalence of smoking in Australia. It is due to the collective measures introduced throughout the years (tax increase, anti-smoking campaigns, advertising restrictions etc.) and with a steady decline each year, it is logical that the most recent figures are the lowest, compared to the ones from 10 years ago. Plain packaging did contribute to the downtrend, but the effect was not very different from the previous measures. This confirms that the sudden and complete restriction on use of trademark is exaggerated and stretches the law to extremes. Under the so called ‘salami-slicing’ technique analogy, it seems that with plain packaging the legislature cut off the last piece without considering whether there are still 'smaller bits' that could be removed and leave a fair share unsliced, before imposing a complete ban. However, that does not mean that the alternatives presented above in section II.1 and II.3 are better than plain packaging, but it means that the alternatives are a better way for ensuring public health protection, while at the same time recognising the interests of the trademark proprietors.

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Chapter 3.

*Chapter III* focuses on the risks following the introduction of plain packaging. This Chapter discusses that the ‘necessary’ labelling requirements for ensuring greater public health protection will have risky consequences for other industries, where products that are deemed to be harmful for consumers are produced, by causing spillover effect of similar or identical measures that restrict the use of trademarks. Nevertheless, the chapter identifies that the main danger of plain packaging is the increase of illicit trade and counterfeit tobacco products. Without the protective function of trademarks against illegal products, the consumers will be exposed to a greater health risk.

Section I. Spillover effect

This section will focus on the so-called ‘slippery slope’ that plain packaging might turn out to be by causing a spillover effect of similar measures to products in other industries. Despite the results of the surveys (Chapter II Sections II.1 & II.2) and the alternatives (Chapter II Section II.3), governments have no plans to delay the implementation of plain packaging anytime soon. Especially, after Mr. Justice Green pointed out that the evidence and data submitted against the effectiveness of plain packaging are tailored down by the tobacco manufacturers for its purpose and do not present the objective results.\(^{253}\) What is more, he considered the data being inconsistent and that the measures are appropriate and suitable.\(^{254}\) Therefore, with plain packaging being favoured and endorsed, there is no sign that the courts and governments will stop it from being introduced. That is why it is necessary to at least point out the potential and real risks of the regime. This section will discuss the reasons for a potential spillover of plain

\(^{253}\) *British American Tobacco and Others v Department of Health* [2016] EWHC 1169 (Admin) paras 569 - 574

\(^{254}\) *British American Tobacco and Others v Department of Health* [2016] EWHC 1169 (Admin) para 649
packaging measures. It will present examples of that effect, in order to indicate the vulnerable products at risk and what all that means for trademark rights and for intellectual property as a whole. The spillover is recognised by INTA and is expressed in countries introducing similar measures to plain packaging in other industries, i.e. restrict the use of trademarks with the aim to protect public health.\textsuperscript{255} The restriction would have the objective to reduce the attractiveness of the products, so that consumers are influenced to make a better and healthier choice. Thus, there is growing concern that limitations will extend to the ‘disfavoured’ products; alcohol, candy, sugars and processed foods and beverages,\textsuperscript{256} because they have been the other consumables that have caused a high number of fatalities, which makes them fairly comparable to tobacco.\textsuperscript{257}

I.1. Alcohol

Globally the use of alcohol causes 3.3 million deaths every year (5.9\% of all deaths) and 5.1\% of the global diseases are attributable to alcohol, thus, the WHO has initiated a Global Strategy on dealing with the harmful consequences of alcohol consumption.\textsuperscript{258} A major issue with alcohol is that even one-time drinking may lead to the death of a person. For example, due to the intoxication a person may lose control over his/her activity which may have fatal consequences, e.g. drinking and driving, being at a high ground and falling, slipping followed by a fatal injury, passing out followed by regurgitation caused by the large quantity of alcohol in the system, which if not dealt properly, may lead to suffocation and death. There is no need one to be addicted to alcohol, as opposed to tobacco products, and one such incident may have fatal consequences. The situation with alcohol is quite different, because it is part of the sociological norm of each country and the consumption is based on cultural habits. More people are exposed to it; hence, more people are at risk, which strengthens the apprehension that it will the next plain packaged product. What is more, young people are even at greater risk from alcohol consumption than from tobacco consumption, because the majority of occasions when alcohol is consumed by young people, it is consumed during heavy drinking episodes, which increases the risk of one-time incidents and also because young people seem to be more reckless while being drunk.\textsuperscript{259} However, alcohol consumption is widely and socially accepted, there is no negative stigma attached to it as opposed to tobacco consumption, which makes it a quick sand for the consumers to overindulge on leading to mental or physical disability, addiction and death.\textsuperscript{260} The issue with trademarks on alcoholic products is that most of them communicate a

\textsuperscript{255} INTA’s Letter to the Swedish Government regarding the Proposal for introducing plain packaging for tobacco products \textsuperscript{<Online source>}
\textsuperscript{256} Carmela Rotundo Zocco, ‘Plain packaging: A Growing Threat to Trademark Rights’ [2013] available at: \textsuperscript{<Online source>}
\textsuperscript{257} Anker T.B., ‘Analysis of the Paternalistic Justification of an Agenda Setting Public Health Policy: The Case of Tobacco Plain Packaging’ [2016] 9(2) Public Health Ethics 208
\textsuperscript{258} WHO, ‘Global Status Report on alcohol and Health’ [2014] 1 available at: \textsuperscript{<Online source>}
\textsuperscript{259} WHO, ‘Global Status Report on alcohol and Health’ [2014] 8 available at: \textsuperscript{<Online source>}
\textsuperscript{260} WHO, ‘Global Status Report on alcohol and Health’ [2014] 1 available at: \textsuperscript{<Online source>61}
positive message to consumers. The most popular products' trademarks and branding imply that alcohol and its consumption are essential parts of one’s social activities. Trademarks in alcohol industry are used to ‘set the tone’ of consumers’ social activities that include alcoholic beverages. For example, Absolut Vodka collaborates with artists to create particular trademarks and designs, in order to match them to the activities and interests of consumers. Different themes, designs and trademarks are being created to sketch the current trends, which makes these intangible assets to have major influence on the lifestyle of consumers. The messages conveyed are enjoyed and favoured by consumers. Evidently, some products (vodka, cider, beer, gin, rum etc.) are distinguished by consumers as being part of social activities that include relaxation and celebration and gatherings. Others such as whiskey or champagne are perceived as part of a luxurious life-style. Despite that manufacturers emphasize at their marketing campaigns, advertisements and even on the bottles that consumers must drink responsibly and reasonably, the above-mentioned reasons are a few of the many that governments can present, in order to justify the plain packaging of alcohol beverages. They would be used to demonstrate how much influence trademarks on alcoholic beverages have on consumers which makes them similar to tobacco products. That could easily be the basis for legislature to take the initiative and propose a legislation for restricting the use of alluring trademarks on products containing alcohol. Such legislation is even on the rise. The EU Member States as part of the WHO have initiated the EU wide Alcohol Strategy, which allows each Member State to introduce comprehensive measures to combat the harmful consequences of alcohol consumption and have established the European Alcohol and Health Forum as a platform to debate, share and compare approaches for introducing concrete measures to help fight alcohol related harm. However, despite the EU still supporting the self-regulatory standards when it comes to alcohol, there is evidence that harmonising plain packaging legislation is on the rise, due to the risks of overconsumption of alcohol; in December 2016, a parliamentary committee in the UK suggested plain packaging for alcoholic beverages, in order to warn the public about the risks of excessive consumption. They called that the report is a ‘a range of policy’, including tax increase, but also the setting out specific labelling requirements. What is more, a video was commissioned by the Western Australian Government representing how alcohol consumption is linked to cancer and how the alcohol damages the human body. However, it was rebuffed by ABA (Alcohol Beverages Australia) that the video shows the body of a person who has been consuming alcohol in excess for a lengthy period of time and it was false to claim that adequate and limited

261 Alberto Alemanno & Amandine Garde, ‘The Emergence of an EU Lifestyle Policy The case of alcohol, tobacco and Unhealthy diets’ [2013] 50(6) CommonMarketLRev 1
consumption has the same effect. It is not connected to plain packaging, but this proves how far governments are ready to go, in order to decrease the consumption of harmful substances by the public, even if it means restricting third parties’ rights. Evidently, trademarks are considered misleading and too influential to the habits of consumers and their use might be restricted. Ron Cregan, a designer and brand consultant has fears that if plain packaging measures for alcoholic beverages are introduced, the bottles’ designs will be affected as well, of which the shapes are also trademarks:

‘The designs of the bottles are the result and the signifier of cultural and social wealth. Brands need to be protected and intellectual property rights maintained in the globalised trading environment in which we operate.’

Therefore, there is a real risk of a spillover effect and trademark owners have cause to be concerned. The introduction of plain packaging in Australia has set a dangerous precedent for eliminating product differentiation and the deprivation of trademark rights in other industries.

### I.2. Sugar and Processed food/beverages

Similarly, to alcohol and tobacco addiction, poor diets and obesity are global health threats. The consumption of sugary, fatty and highly processed foods and beverages are responsible for poor nutrition, which leads to obesity. It has become a major issue for the health of the population in the EU (51.6% of the EU’s population is overweight). It contributes to six of the seven major factors of premature death among the public. The Obesity Prevention White Paper sets out an EU approach to reduce the ill health resulting from poor nutrition, overweight and obesity, caused due to products on the market. There are measures aimed at promoting breastfeeding that ban the use of advertisements or any kind of information that may suggest that bottle feeding is equal or superior to breastfeeding. The measure that may metamorphose into labelling restrictions/plain packaging have already been introduced under

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269 Across the EU, six of the seven largest risk factors for premature death — blood pressure, cholesterol, weight, inadequate fruit and vegetable intake, physical inactivity, and alcohol abuse — may, at least in part, be linked to how we eat, drink and exercise.
270 Alberto Alemanno & Amandine Garde, ‘The Emergence of an EU Lifestyle Policy The case of alcohol, tobacco and Unhealthy diets’ [2013] 50(6) CommonMarketLRev 1
Regulation (EU) No 1169/2011, that requires manufacturers to give full and comprehensive information about the contents of a product.\(^\text{272}\) The situation with tobacco products was fairly comparable with the introduction of the FTPD on the ban of misleading descriptors. Evidently, such measures envisage the adoption of binding policies aimed at the obesity prevention by targeting different sectors; consumer policy and internal market law, similarly to the labelling requirements under the TPD.\(^\text{273}\)

The potential spillover to sugary and highly processed products can also be described with the measures introduced not only in the EU, but in a number of other countries. Chile introduced an amendment to its Food Health Regulation\(^\text{274}\), which requires the manufacturers to put sign “STOP” on high fat, sugar and salt foods, with a minimum size of 20% of the main surface of the packaging.\(^\text{275}\) The US faces a crisis of obesity and is considering to introduce measures that require the placing of health warning label on sweetened non-alcoholic beverages, that their consumption contributes to obesity, diabetes and tooth decay.\(^\text{276}\) Such restrictions on the labelling of products date back from 2013, when Peru has introduced a similar legislation to promote healthy eating amongst youths by requires the manufacturers to put descriptors on the packaging consisting of warnings such as ‘high in calories’, or ‘high salt’.\(^\text{277}\) In South Africa there are adopted even further limitations concerning infant formula; The provisions restrict and ban the use of logos on the packaging containing pictures of babies or other humanized figures\(^\text{278}\), in order to prevent the consumer to perceive that the infant formula and bottle feeding are equal or superior to breastfeeding. Similar measures were adopted in Guatemala in the 1990s.\(^\text{279}\)

Evidently, limitations on the labelling of unhealthy foods and beverages is spreading slowly, but steadily. It means that the authorities plan a stronger involvement in relation to nutrition, as demonstrated in particular by the range of different policies adopted in different countries, including within the EU legislative framework. Restrictive labelling requirements for these products are on the rise and the trademark proprietors have a real reason to be concerned.

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\(^{273}\) Alberto Alemanno & Amandine Garde, ‘The Emergence of an EU Lifestyle Policy The case of alcohol, tobacco and Unhealthy diets’ [2013] 50(6) CommonMarketLRev 1

\(^{274}\) Decree No. 13 of 16 April 2015 amending Decree 977/1996 Reglamento sanitario de los alimentos

\(^{275}\) Ignacio Carreño, Euginia Laurenza, Anna Martelloni, Bruno G. Simões & Paolo R. Vergano, ‘Chile adopts warning statements in the form of a black STOP sign for ‘HFSS foods’ (i.e. foods high in fat, salt or sugar)’ (FratiniVergano, Trade Perspectives, issue 16, 2015) <http://www.fratinivergano.eu/en/issue-number-16-11th-september-2015/>


\(^{277}\) ibid

\(^{278}\) ibid

I.3. The high possibility of spillover effect to other industries based on legal principle

In the above section, it was discussed, how due to the harmfulness of certain products labelling restriction could be introduced and that they are on the rise to restrict the use of alluring sings on the packaging of these products. Evidently, the introduction of such measures, however, needs a legislative basis. Under Article 8 of the TRIPS adoption of these limitations (learned from plain packaging on tobacco products) is possible on grounds of necessity to protect public health and nutrition.\(^{280}\) Alcohol and sugary, processed foods and beverages are part of the nutrition of the public and are intertwined with the health. The nutritional habits of the public dictate its health. Therefore, the need to encourage and attain better nutrition is another goal of the countries, in order to ensure public health protection. This adds up to the probability of introducing plain packaging measures for other products. It seems that public authorities have adopted a linear approach that consists of the precedent to introduce structurally identical interventions regarding all other consumer products that are likely to cause significant harm similar to tobacco products.\(^{281}\) The harmful consequences of poor diets and excessive alcohol consumption are not less significant than the illnesses associated with smoking/tobacco consumption. In other words, if plain packaging was introduced because tobacco consumption is a serious threat to the public health, then under the principle of relative proportionality or as it was defined, the linear approach, plain packaging ought to be introduced to alcoholic, high sugary and processed products, because they present an equal health threat to the public.\(^{282}\) Truly, it can be argued that the spillover effect is a necessary development, in order for the public to be more informed and that a separation between harmful and beneficial products for sustaining the public health is necessary to be created. Yet, tobacco, food and alcohol are non-comparable. Food is necessary for sustaining life, alcohol in small quantities has proven to be beneficial for the health of the consumers, while tobacco consumption has no safe level, it kills half of its persistent smokers and can cause smoking induced illness to second hand smokers, who may not have even tried a tobacco product in their lifetime i.e. tobacco products harm more people than just their consumers, which makes them far more hazardous than alcohol- and food-related ill health.\(^{283}\) Tobacco is not like any other product on the market. It is the only product that is lethal when used as intended\(^{284}\) in comparison to food and alcohol, where there are recommended serving sizes on the labels or warning signs to consume responsibly. Therefore, alcohol and food do not present such high level of danger to the public as tobacco

\(^{280}\) Article 8 TRIPS Agreement

\(^{281}\) Anker T.B., 'Analysis of the Paternalistic Justification of an Agenda Setting Public Health Policy: The Case of Tobacco Plain Packaging' [2016] 9(2) Public Health Ethics 208

\(^{282}\) ibid

\(^{283}\) ibid

\(^{284}\) Christopher Snowdon, 'Plain Packaging: Commercial expression, anti-smoking extremism and the risks of hyper-regulation' [2012] Adam Smith Institute p 35<Online source> accessed 12 March 2017
products and similar restrictive measures on the use of trademarks on alcohol, sugary, fatty and processed foods and beverages are deemed to be disproportionate and inconsistent with manufacturers' trademark rights.

I.4. Concluding Remarks
Nevertheless, plain packaging is seen as a way of nudging the public to make the better, healthier choice. With the rapid economic growth, international trade and industries carrying out 'business as usual' the global burden and threat of non-communicable diseases, caused by tobacco, alcohol and unhealthy food, are increasing.285 The 2013 WHO 'Global Action Plan for the Prevention and Control of NCDs 2013-2020' has been commenced to emphasize the need for governments and society to work together on all levels, in order to regulate tobacco use, unhealthy diets and alcohol abuse towards the achievement of public health, trade and environmental protection.286 However, there has to be adopted a certain standard of reasonableness287. Otherwise, blatant unfairness would lead to plain packaging restrictions to fall below the accepted international standards causing floodgates to open and the spillover to spread across different industries, which will most certainly be sufficiently egregious to diminish the value of trademark owners' intellectual property rights. In the end, trademark rights would be subject to government's approval or disapproval depending on the proprietor’s activities288, which can be categorized as gross denial of justice and an immense blow to the intellectual property system, that sets the dangerous precedent for the imposition of controls on other intellectual property rights.

Section II. Illicit trade and counterfeiting of tobacco products
The introduction of plain packaging in Australia did not prove to be an effective measure against illicit trade and counterfeiting of tobacco products. In 2013-14 (post plain packaging), there was a significant increase in the number of detections of illegally produced or transported cigarettes, with the only change being that the groups involved have changed the means of transportation of the products, which is an indication of a highly networked and skilled smugglers that are very

286 ibid
This section analyses the issue of illicit trade and counterfeiting. It will focus on the potential [real] risk of increase in illicit trade and counterfeiting (trademark infringement) of tobacco products following the implementation of plain packaging. It is important to define the two notions, in order to gain better understanding of this issue. Illicit trade usually encompasses all types of illegal activities within the trade sector and counterfeiting is one of them. However, in this paper illicit trade will be used to define the smuggling of legitimate products and tax evasion, while counterfeiting is the manufacture and sale of fake products, that resemble the original ones, but are of lower quality, and as regards to consumables, can be dangerous to the health and safety of consumers. They pose a threat to all levels of society. Counterfeiting harms the businesses of the trademark proprietors, through illicit trade governments lose tax revenue from products smuggled and sold on the black market, and consumers’ health is at risk from substandard products. The largest national police organization (INTERPOL) has determined that these activities have increased to an unprecedented level and are posing tremendous risks to society and the global economy. Illicit trade and counterfeits of tobacco products account for the highest amount of the total seized articles within the EU. They cost billions of USD to manufacturers, but also to the countries, because of not only the unpaid tax revenue, but for further engaging in anti-smuggling/counterfeit operations, in order to stop the illicit traders, and these operations requires a great deal of resources. It is important to point out that due to plain packaging the increase of illicit trade and counterfeiting would happen within the borders of the EU, since the other countries outside the EU have not introduced similar or identical measures to plain packaging, which in terms of contraband of cigarettes actually has a positive effect, because the cigarettes imported from outside the EU would still have the trademarks on and would be much easier to be identified. However, plain packaging would make it significantly easier for criminals to engage in illicit trade and even counterfeiting. The new regime has been named ‘Christmas’ for counterfeiters and tobacco smugglers, due to the straightforwardness that it offers them to carry out their illegal activities. Interestingly, the legislature has recognised that plain packaging may increase the number of illicit products, which requires Member States to

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291 Ibid


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take precautionary measures against smuggling of such products\textsuperscript{294}, which strengthens the belief that the new unitary labelling requirements would have a negative impact on the illicit trade and counterfeiting.

\textbf{II.1. Illicit trade}

Illicit trade can be divided into three subcategories; bootlegging, large-scale smuggling and illicit whites. All three types can occur and illicit traders can be facilitated under the plain packaging regime, but they differ from one another by the moment where the illegal transfer occurs.

\textbf{II.1.1. Bootlegging (small-scale smuggling)}

Bootlegging (small-scale smuggling) is when there is a legal purchase of cigarettes in one Member State and their resale or consumption happens in another Member States without paying the necessary taxes or duties. It could happen through a purchase of relatively small amount of retail stores or during the wholesale phase and when a significant amount has been accumulated, the products are transferred to a high-tax Member State.\textsuperscript{295} For example, a UK is a Member State with one of the highest taxes on cigarettes, which makes the price for a pack to be significantly higher, than in Austria. Thus, smugglers smuggle packs of cigarettes from Austria to the UK, as all packs have the same number of cigarettes and overall appearance under the TPD, the ones from Austria would be bought and even sold cheaper than the retail price in the UK, which would make consumers to opt for cheaper ones, knowing that they are the same. This would boost the bootlegging, because bootleggers would gain profit by selling on a lower price than the retail price in the UK, but at a higher price than in Austria, and the consumers would buy a product, that has the same pictorial warnings and overall appearance, the same quantity of cigarettes in a pack, but cheaper. Clearly, the new regime will make it easier for bootleggers to engage in illegal activity.

\textbf{II.1.2. Large-scale smuggling}

It occurs when the tobacco products are sold without the payment of any taxes or duties, even in the country of origin.\textsuperscript{296} It is called large-scale, because it occurs at the wholesale phase of the supply chain. The products are obtained from the manufacturers and transported to the

\textsuperscript{294} Recital 29 TPD
\textsuperscript{296} Committee on the Illicit Tobacco Market, National Research Council, \textit{Understanding the U.S. Illicit Tobacco Market: Characteristics, Policy Context, and Lessons from International Experiences,} (1\textsuperscript{st} edn, National Academies Press, 2015) p 34
country where they are going to be sold or in the same country without paying the necessary taxes or duties either by secretive smuggling or by forging documents and tax stamps to indicate export, and the products are put directly into the illegal distribution channels.\(^{297}\) With the introduction of the new labelling requirements\(^{298}\), an identifier for traceability has to be placed on the packaging e.g. indicative tax stamps or special signifiers of each manufacturers that duties or taxes are paid for the particular batch of products. However, it would be the only thing that requires extra precision, in order the transfer and distribution of products to be deemed legal and the smugglers have become so skilful that a new stamp or identifier can be copied in a matter of weeks and its interruption requires a detailed forensic examination.\(^{299}\) Therefore, the falsification of only such indicators would be easier for the smugglers, which would inevitably lead to an increase in the illicit trade of tobacco products. The products are sold at lower prices, which draws the attention of consumers, because they consider that all plain packaging cigarettes are of the same low quality, the only thing they are after is satisfying their smoking addiction and the lower price of smuggled products presents them with a better opportunity, than actually being affected and influenced by the higher prices and the pictorial warnings. Consequently, this would not lead to a decrease in tobacco consumption. It has been proven by KPMG that tobacco consumption has not decreased significantly after the introduction of plain packaging, but the level of illicit consumption of tobacco did increase and has reached record levels, growing from 11.8% to 13.3% from June 2012 to June 2013, and the consumption was expressed in consumption of contraband cigarettes.\(^{300}\) That, as said above, is due to the lack of any other device marks except for the traceability stamp that would make the location and seizure of smuggled products more difficult. This effect was predicted by Phillip Morris, but the legislature decided to ignore it, the same as Mr. Justice Green in his lengthy judgment, where he only touched the upon the issue of potential increase of illicit trading by saying that there was no supplementary materials nor analysis presented by the tobacco manufacturers that standardized packaging would increase illicit trading, but acknowledged ‘the linkage between excise duty increases and the incentive for duty unpaid products to be imported’.\(^{301}\) This proves that the authorities impliedly accept that there will be an increase in the illicit trade following the introduction of the new regime, but it is a price to be paid for attaining higher public health protection at the expense of the interests and profits of trademark proprietors and even the tax revenue of countries.

\(^{297}\) ibid

\(^{298}\) Article 15 TPD


\(^{301}\) British American Tobacco and Others v Department of Health [2016] EWHC 1169 (Admin)
II.1.3. Illicit Whites

Illicit whites are brands of cigarettes that are lawfully produced in one country, but are smuggled in another one, where their sale is not authorised by the public authorities. With the introduction of plain packaging the overall appearance of the packaging of tobacco products has become easier to copy, hence, many illicit whites’ manufacturers can easily produce plain packaging cigarettes and start selling them in Member States. The lack of trademarks, special fonts and specific colours in combination with the obligatory pack specifications set out in the TPD, the illicit whites’ manufacturers are presented with a blueprint on ‘how to make the pack’, that would be further discussed in the last section regarding the counterfeits of the well-known brands of cigarettes. What is more, the plain packaging has made the production of packaging much cheaper (10-15 pence) for the suppliers of the illicit market. Even if the illicit whites are put in sale next to the lawfully produced brands, they would look the same, only the price would be different (lower) and the name would be unrecognisable by the consumers. However, according to the survey data in Chapter I; I.3.2.1 the consumers did not make any distinction between the brands and considered all brands to be of the same quality, thus, they would opt for the cheaper illicit whites, even though they are unfamiliar with the brand. The most popular brand of illicit whites in the UK is called “Jin Ling”, manufactured in Kaliningrad, Russia, Ukraine and Moldova. They are similar in taste of the American blend Camel. This would not only deter the achievement of better public health protection and decrease in the prevalence of smoking, but would also harm the consumers, because most of the illicit whites have higher contents of carcinogenic chemicals, tar, carbon monoxide and nicotine that are more addictive. Thus, because of the high amount of nicotine, the addiction and the nicotine hunger are exceeded and consumers would opt for the illicit whites more frequently in order to satisfy their addiction. Therefore, with the increase of the trade of illicit white the pursuit of better public health objective is deterred and the introduction of the restrictions on trademarks would be in favour of illicit traders.

II.2. Counterfeits

Counterfeits are similar to illicit whites and present the same risk to consumers and the industry, but present a great detriment to the manufacturers, because they damage the reputation of the well-known brands of tobacco products. The estimated financial losses in taxes for 2010 caused

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by contraband cigarettes accounted for 10 billion EUR and 65% of these cigarettes were counterfeits.\textsuperscript{305} What is even more concerning is that the statistics show an upward trend, even with the introduction of previous labelling requirements.\textsuperscript{306} The counterfeitors use the trust and brand loyalty that is created in the consumers by the manufacturers to sale the cigarettes produced by them, which are of lower quality, more harmful and are cheaper. They produce their own cigarettes, but copy the packaging of the well-known brands and sell them on the market as these brands. With the introduction of plain packaging, the minimum labelling requirements and the rules that define the shape and measurements of the pack, similarly to illicit whites' producers, the counterfeiters are given the blue print on ‘how to make the pack’.\textsuperscript{307} Previously, the counterfeiters would have difficulties to copy all different types of packaging, trademarks, stamps, colours etc., because the design specifications and colours compositions were kept confidential to deter counterfeiters and with regards to the competitive behaviour of the tobacco manufacturers. Under the new regime all these efforts of the manufacturers are made redundant and it removes the need for counterfeiters to keep up with constant innovations and developments on the appearance of the packs.\textsuperscript{308} Otherwise the manufacturers would have had the obligation to maintain and develop further the appearance of the pack and their branding strategies to keep up with fast-changing competitive environment on the market. As said earlier, the counterfeiters would have to copy several designs of packaging belonging to different manufacturers, but now under the new regime, one plain packaging to be faked is enough, in order to reproduce the packaging of each brand on the market with minimum effort. It is so, because the only thing that differentiates are the brand name and the type of cigarettes that are put in a generic font and size on the pack.\textsuperscript{309} The plain packaging makes it easier for counterfeiters to engage in their illegal activity, while makes it harder for consumers, manufacturers, retailers and law enforcement to differentiate between real and fake packs and because they are identical to the well-known marks, but cheaper, consumers opt for them. As said earlier, the counterfeiters have become so skilful in copying packs that in order to identify a fake pack/cigarettes forensic analysis is most of the time required, which would increase the resources needed and such analysis cannot be realistically carried out on every batch of cigarettes. A constant and detailed supervision is not practical for manufacturers, consumers and for the countries, because it requires a great deal resources and time, which would not in any way be beneficial for the industry. Therefore, economically plain packaging will turn out be

\textsuperscript{306} European Commission, ‘Contraband and counterfeit cigarettes: frequently asked questions’ (Commission Européenne, 2010) <Online source> accessed 1 June 2017
\textsuperscript{308} ibid
\textsuperscript{309} ibid
detrimental to manufacturers and countries by easing up the efforts of counterfeiters to smuggle their fake products into the market and presenting them as the well-known brands.

Nevertheless, the counterfeit cigarettes, similarly to illicit whites, represent a great harm to consumers. They are not produced under the standard quality and the maximum emission levels laid down by the TPD\textsuperscript{310}. Subsequently, the fake products are produced with low quality ingredients that are more harmful and can be even deadly after one-time consumption. It has been reported that counterfeit cigarettes cause the consumer to become ill and have cold like symptoms, including chest infections, sore throats and fever.\textsuperscript{311} The threat from counterfeits in the case of tobacco can be as serious as with fake pharmaceuticals or alcohol\textsuperscript{312} and there is substantial evidence about the alarming hazards of these counterfeits for the public health. For example, two identical packs of Benson & Hedges were tested by the Counterfeiting Intelligence Bureau (CIB) in the UK and one turned out to be fake containing five times the carcinogens of the well-known brand.\textsuperscript{313} Another instance was reported in 2011 in the issue of Public Service Europe, where a batch of cigarettes intercepted by the UK Boarder Agency “contained asbestos, rat droppings and human faeces among other substances”.\textsuperscript{314} What is more, the newspaper \textit{The Guardian} reported that fake cigarettes were tested and were found to be filled with excrement, mould and asbestos.\textsuperscript{315} That happened recently in 2014, which shows that counterfeiters are nowhere near slowing down in manufacturing fake and fatally poisonous products. Furthermore, the lack of trademarks also deters the trademark proprietors to file a proper legal action against the counterfeiters, because the unauthorised use of trademarks provides a strong legal basis for filling an appeal under Article 9(1)(b) and (c) CTMR\textsuperscript{316} and after the seizure of the products a forensic analysis would determine the content, the level and the type of harmful substances used in the production. Without the protection provided by trademarks against counterfeit products, the collection of evidence would be much more difficult by putting excessive burden on the tobacco manufacturers and the enforcement agencies. There has to be a forensic analysis carried out first, in order for the manufacturers to collect sufficient evidence that can be presented before the court. Then the court can allow for further investigation to be carried out, which would delay the delivery of justice. Currently, while the

\textsuperscript{310} Article 3 TPD
\textsuperscript{312} Peggy Chaudry & Alan Zimmerman, \textit{The Economics of Counterfeit Trade} (eds 1) (Springer Verlag Berlin Heidelberg, 2010) p 174
\textsuperscript{313} Tim Phillips, \textit{Knockoff – The Deadly Trade in Counterfeit Goods} (The true story of the fastest growing crime wave, (1st edn, Kogan Page Publishers, 2007) p 22
\textsuperscript{316} Article 9 CTMR
trademarks are still present on the packaging, the manufacturers and the enforcement agencies can intercept the products and use the unauthorised use of trademarks as a basis to begin further investigation. Evidently, in the case of counterfeits, on the use of trademarks depend not only the interests of the trademark proprietors, but also the quality work of the enforcement agencies and the safety of the consumers.

II.3. Concluding remarks

To conclude, the use of trademarks on tobacco products packaging plays the role of a shield by protecting the health of consumers, the economic development of the industry and the different levels of the supply chain against illicit trade and counterfeits. The limitations on trademarks would be harmful not only for the industry, but they will deter the achievement of better protection of public health. However, it is worrying that the public authorities have knowledge about the dangerous consequences of illicit trade and counterfeits as discussed above, but the arguments presented, when confronted by the tobacco manufacturers about that plain packaging would boost illicit trade and counterfeits, were that smugglers and counterfeiteers have become very skilful and with or without any special trademarks, tax stamps, device marks etc., they would still be able to copy the overall appearance of the packaging. That argument combined with the unwillingness of Mr. Justice Green to discuss the issue due to lack of evidential material are a great cause of concern for the tobacco industry about the implementation of the plain packaging measures. The measures will certainly face economic challenges such as loss of profit for the tobacco industry and loss of tax revenue for the Member States and the EU as a whole, but the plain packaging as an ethical challenge in respect of the trust invested by the citizens into the public authorities to protect their health can be deemed to be non-justifiable and has to be approached with caution, if it will put the life of consumers at further risk from counterfeits and illicit whites. 318

Conclusion.

Preserving and promoting public health are the primary objectives of any government. They are attained by introducing various legislative measures aimed at providing the best possible environment for the public. The aim of the measures is to inform, educate and encourage the public to make the best choices and decisions possible, in order to preserve and improve its health. Nevertheless, the introduction and implementation of such measures inevitably affect third party rights. The above analysis shows that both the WHO and the EU are collectively willing to protect consumers at the expense of trademark rights in the tobacco industry.

The courts and governments seem to favour the new rules by drawing inspiration from Australia’s plain packaging regime, which implicitly admits that previous measures were ineffective.\(^3\) Intellectual property rights are being neglected in the urge of setting up the safest environment possible for the consumers. This blinkered approach of public authorities to restrict intellectual property rights for the achievement of better public health, without concrete evidence that the measures are fully effective, indicates that no policy is too impeding that it cannot be protected by law on the pretext of protecting consumers’ health.\(^4\) It proves that laws posing as public health initiatives are no longer informed and compelled by economic reality and interests of the public.\(^5\)

However, consumers are not influenced by large warning signs or generic packaging. The curing of an addiction occurs after a visit to a doctor or because of a directly communicated anti-smoking campaign.\(^6\) The effectiveness of such measures comes down to the consumers’ personal choices. Instead of focusing the legislative efforts on what is in the pack, rather than what is on the pack,\(^7\) the public authorities, with their desire to aid the public, pave the road for unprecedented dangers for the tobacco industry, other industries and consumers themselves. Instead, consumers demand transparency of product contents. They need to be educated by the public authorities and not to be told what to do through ‘a stop’ sign or a disturbing image as a ‘warning’ on the package. The European Consumer Organisation, for example, favoured the Commission’s recognition of the need for better information on alcoholic


\(^{321}\) Ibid


drinks. Evidently, consumers want to know what they are buying and consuming, but demand that the final choice is left to them, even if it would be an unhealthy one. Trademarks have been the source of that information, the verification of quality for the product and the assistance for making a fully-informed choice. The new regime eradicates that. It targets manufacturers’ trademark rights, instead of aiding consumers, without considering the potential risks for other industries and the threats that this lack of information would spread. Causing not only that, but also financial loss to manufacturers, loss of countries’ tax revenue, the new public health protection measures may turn out to be a double-edged sword. Legislatures are trying to protect the public from health hazards by restricting economic rights of tobacco manufacturers, but in doing so they set a dangerous precedent for the global erosion of trademark rights across industries. This is done to the detriment of consumers, whose health is further exposed in the face of the underlying threat of counterfeit products that, upon consumption, are even more lethal than tobacco products.

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