

Licensing Executives Society (Britain and Ireland)

Response to the

**Department of Health Consultation on standardised
packaging of tobacco products.**

Licensing Executives Society (Britain and Ireland) (“LES”) is the local chapter of Licensing Executives Society International (“LESI”). LESI is the world's leading association of technology transfer and licensing professionals, with over 11,000 members worldwide. The membership is mixed, not only geographically, but also in terms of members' backgrounds, including business people, professionals (lawyers particularly intellectual property lawyers, accountants and patent agents) in private practice and in house, and academics, drawn from a broad range of industry sectors. LES, the local chapter here, is one of the largest with approaching 500 members and its members are engaged in all the fields of activity listed above.

LES wishes to respond only to questions 1 6 and 9 in Appendix A of the consultation.

In this response LES deals only with the issues relating to the rights to use Trade Marks. It recognises the concerns about public health which result from the continuing consumption of tobacco products in the UK and the Government’s wish to reduce that consumption.

Nevertheless LES is conscious that Trade Marks are an important element of trade, national and international, and that it is important for businesses to establish and maintain their Trade Marks. As a result international treaties, to which the UK is party, have been signed to protect the rights of Trade Mark owners. Accordingly it is not proper that rights in Trade Marks should be disturbed without due cause and after proper process in accordance with those treaties.

Question 1. Which option do you favour?

- **Do nothing about tobacco packaging (i.e. maintain the *status quo* for tobacco packaging);**
- **Require standardised packaging of tobacco products; or**
- **A different option for tobacco packaging to improve public health.**

For the reasons appearing below in answer to Question 6, we believe that until there is clear evidence from activities in the market place to support the looked for effects of requiring tobacco products to be sold in standardised packaging justifying a reliance on the provisions of Article 8 of the TRIPS Agreement it would be potentially dangerous to interfere with the rights of Trade Mark holders in the manner proposed.

In particular LES considers that the effects and consequences of both the proposal to insist on standardised packaging in Australia and the ending of the open display of tobacco products in England, Wales and Northern Ireland need to be known before such a change is contemplated.

Question 6. Do you believe that requiring standardised tobacco packaging would have legal implications?

- A. Under international treaties to which the UK is party the UK is bound not to impose special requirements on trade mark rights, nor to impose obstacles on the registration of a trade mark by virtue of the goods to which the mark is applied.

LES is aware that under the TRIPS Agreement,

Article 8
Principles

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.

but otherwise IP rights may be freely used and exercised, in broad terms, without encumbrance. Accordingly, in order to be able to interfere with trademark rights in the manner suggested by the UK government it must be shown that the measure is "necessary" to protect public health and that it is consistent with the provisions of the TRIPS Agreement.

As far as LES is aware there is no clear evidence that the use of standardised packaging for tobacco products is **necessary** to protect public health given the other restrictions on the tobacco industry already in force. As a result, there is a risk that a requirement to use only standardised packaging would potentially put the UK government in breach of its international treaty obligations.

- B. The requirement to package tobacco products in standardised packaging would prevent companies using trade dress and trade marks which they have developed and registered in the UK and the EU. By virtue of non-use those rights would be worthless in the UK and would ultimately wither away and cease to exist.

The fact that the marks were worthless would, at worst, amount to expropriation, and would require compensation to be paid for the value of the property expropriated. At best, it would render the rights worthless, and could be expected to result in a material, multi-million pound or more, write-downs of the value of the marks in the balance sheets of the companies concerned, which would no doubt be set against the companies' income, potentially producing a loss for tax purposes for many years with a corresponding reduction in tax revenue to the UK.

There can be little doubt that the tobacco industry would take all possible steps to recover those losses. That much is clear from the litigation launched by the tobacco companies in Australia objecting to the proposal to introduce standardised packaging there and is reinforced by recent comments from the Managing Director of Japan Tobacco International in Britain. It would be logical to await the outcome of that litigation before the British Government took a step which is almost certain to lead to similar proceedings in the UK which can be expected to go to the very highest courts over a period of many years.

- C. Such a move is bound to raise questions as to the fields of activity where similar requirements might be imposed next.
- D. Such a move might also be seen as an indication that the UK was unconcerned about the protection of trade marks and trade dress in particular and, by extension, unconcerned about the protection of IP rights in general. This conflicts with the British Government's desire to make the United Kingdom a jurisdiction favourable to IP rights and favourable to companies and organisations wishing to exploit those rights.

As the recent review:

Plain tobacco packaging : A systematic review

Lead Investigator: [Gerard Hastings](#), Institute for Social Marketing, University of Stirling

(hereafter referred to as “The Systematic Review”) suggests at page v the possibility that the introduction of standardised packaging might increase the appeal of smoking by making it “forbidden”. There is no evidence in The Systematic Review to this point. However the Consultation Paper reports at paragraph 2.5 that 39% of current and ex-smokers started smoking regularly before the age of 16 and two thirds started smoking regularly before they were 18. LES considers that evidence as to the attraction/ consequences of making smoking “forbidden” should be sought as far as it can be, while recognising that this may not be possible until such time as standardised packaging has been introduced commercially.

Further the ending of the open display of tobacco products in England, Wales and Northern Ireland only came into place in England for large shops (mainly supermarkets) in April 2012 and will not come into place for all other shops retailing tobacco products until April 2015. Again, it would be logical to see the effect of this change before legislating further.

LES notes from the Executive Summary to The Systematic Review that “The review focused on primary research but did not put limits on study design. Some systematic reviews include only randomised controlled trials of interventions, but we were aware that this type of evidence cannot exist for plain packaging as plain packaging has not yet been implemented in any jurisdiction.”

While the comparative studies suggest that standardised packaging might influence behaviour the need to have ever larger and more prominent and aggressive health warnings on packs because, as we understand, their effect is lost with time, suggests that the initial effect may wear off. However such a trial is, subject to the result of the litigation in progress in the High Court in Australia, about to start in Australia in December.

There would seem to be considerable merit in reviewing the final decisions in that litigation and that trial before starting on the highly contentious process of requiring cigarettes to be sold in standardised packaging in the UK.

Question 9. Do you believe that requiring standardised packaging would increase the supply of, or demand for, illicit tobacco or non-duty paid tobacco in the United Kingdom?

The levels of counterfeit and parallel imported tobacco sold in the UK are acknowledged to be substantial. In addition there is a view that counterfeit tobacco products may be more harmful than the genuine product.

The requirement that tobacco products be sold only in standardised packaging will mean that counterfeiters will no longer have to copy the trade dress of current brands, and will presumably make it easier and cheaper for them to operate and so increase the risk of counterfeits appearing on the UK market

The requirement that tobacco products be sold only in standardised packaging may also make parallel imported and smuggled cigarettes more attractive to consumers as only in that way will they be able to acquire their tobacco products in the packaging to which they are accustomed.

The Systematic Review, at page v, raised the question as to whether “plain packaging could increase tobacco smuggling”. While the other questions raised in the Review have been answered in favour of the ban the Review makes no comment on this point. LES assumes from this that either there is no evidence on the point or that such evidence as there is suggests that tobacco smuggling (and no doubt counterfeit tobacco products) will increase.

We are supported in these views by a letter in the London Times for 28th June in which 24 senior former police officers say that they believe that “the introduction of standardised packaging would make it even easier for criminals to copy and sell [tobacco products] to the unsuspecting public” and also express concern about increasing tobacco smuggling.

We also note the comments of the Scottish Crime and Drug Enforcement Agency and the results of the poll of police officers in England and Wales reported in The Scotsman of 10th July.

Clearly if there is an increase in smuggled or counterfeit tobacco products there will be a further loss of tax revenue to the UK Exchequer, possibly substantial.

Further, if counterfeit tobacco products are indeed more harmful than the genuine products any increase in counterfeits will, to a greater or lesser extent, offset any benefits obtained from any reduction in tobacco consumption as a result of the introduction of standardised packaging.

Conclusions

LES is concerned at the proposal that tobacco products only be sold in the UK in plain packaging because of:

- the loss of value to intellectual property rights;

- the financial loss that is likely to result from the loss of intellectual property rights;
- the risk of increased counterfeiting and smuggling; and
- the possibility, raised in The Systematic Review, that making smoking “forbidden” might increase its appeal.

It also seems prudent to see the results and consequences of the litigation in Australia arising from the requirement that cigarettes be sold in standard packaging there and the effect of the ending of open display of tobacco products in the UK before legislating further.

Licensing Executives Society (Britain and Ireland)
16th July 2012