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ENTERPRISE Directorate-General
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14 October 2014

Dear Mr. Casella,

Subject: Notification No:2014/427/UK – X40M – by the United Kingdom of the Standardised Packaging of Tobacco Products Regulations.

I wish to draw your attention to the UK Government's notification of the above mentioned draft regulations ("Notified Draft") on 28 August 2014.

Business Action to Stop Counterfeiting and Piracy (BASCAP) is an initiative of the International Chamber of Commerce (ICC). Pursuant to the procedure under Directive 98/34, BASCAP wishes to express its deep concerns about the provisions of the Notified Draft.

In April and August 2012, BASCAP expressed its concerns to the UK Government about its intention to introduce plain packaging for tobacco products. BASCAP specifically registered its concern that any restriction to normal use of trademarks and brands through forced plain and/or standardised packaging would:

1. Remove one industry's ability to use its IP rights and would open the door to the extension of this to other industries and brand owners in the United Kingdom and around the world;
2. Restrict trademarks and branding of products and remove a critical element of accountability and responsibility that consumers depend on to make the best choices in the marketplace. Plain and/or standardised packaging would also increase counterfeiting and smuggling;
3. Make it much easier to counterfeit a product once brand identification and design are removed and all packaging is made to look the same, – first a pack of cigarettes and later other products.
4. Would reduce brand owners' ability to take action against counterfeiting and will increase the burden on already overstretched public agencies as they try to keep illicit products away from consumers.

Impact on the United Kingdom's obligations under EU law

BASCAP has encouraged the UK Government to consider plain/standardised packaging proposals within the wider context of IP protection policies, laws and enforcement regimes, including:

1. Any European Union (EU) Member State implementing plain packaging would, on the basis of the Charter of Fundamental Rights ("the Charter") and the European Convention on Human Rights, be vulnerable to recourse from IP Rights holders seeking compensation. It is to be noted that, in its Opinion relating to the Commission's proposal for a Directive concerning the manufacture, presentation and sale of tobacco and related products, ("the Tobacco Products Directive"), the

European Parliament's Committee on Legal Affairs raised serious doubts about a number of provisions in the Commission's proposals and their non conformity with fundamental rights such as the right to property, the right to freedom of expression and information and the freedom to conduct business. The Committee pointed out that these rights are enshrined in the Charter and may only be limited pursuant to Article 52(1) of the Charter if the limitation is necessary, genuinely meets objectives of general interest and is proportional. The Court of Justice of the European Union (CJEU) has previously ruled that warnings on the unit packages are admissible *"in a proportion which leaves sufficient space for the manufacturers of those products to be able to affix other material, in particular concerning their trademarks."*¹

2. The Community trade mark ("CTM") is a unitary pan European intellectual property right enforceable and protectable in all Member States of the European Union, including the United Kingdom. The function and use of trade marks is the key rationale for trade mark protection in the European Union.

Article 9(1) Council Regulation (EC) No.207/2009 (CTMR) states:

"A community trademark shall confer on the proprietor exclusive rights therein. [...]"

The Court of Justice of the European Union (CJEU) and its Advocate General have consistently interpreted this Article as comprising not only the right of trademark owners to exclude confusing uses by third parties, but also the right to use their trademarks in the course of trade. In the words of the CJEU in, inter alia, *Bristol-Myers Squibb and Others v. Paranova A/S*, Joined Cases C-427/93, C-429/93 and C-436/93:

"Para 44 – [...] the specific subject-matter of a trademark is in particular to guarantee to the owner that he has the exclusive right to use that trade mark for the purpose of putting a product in the market [...]".

In its Opinion delivered on 6 April 2006 in Case C-348/04, Advocate General Sharpston concluded as follows:

"Para 9 – The specific subject-matter of a trade mark thus has two components. First, there is the right to use the mark for the purpose of putting products protected by it into circulation for the first time in the EC, after which that right is exhausted. Second, there is the right to oppose any use of the trade mark which is liable to impair the guarantee of origin [...]"

The need to grant protection to trademark use thus stems from the very function of trademarks, i.e. to distinguish goods and services in the course of trade. As Advocate General Jacobs concluded in its Opinion delivered on 20 September 2001 in Case C-2/00:

"Para 35 – [...] Use by the proprietor is indeed a central and essential element of ownership. [...] Use of a trade mark involves identifying the proprietor's goods or services as his own. Although perhaps so self-evident that it may not be specifically set out in trade mark legislation, that is the purpose for which trade marks exist [...]"

Accordingly, the function and use of trade marks is recognized as the key rationale for trademark protection in the EU. This view finds further support in the principle of the unitary character of CTMs, i.e. a CTM enjoys the same protection, and is subject to the same restrictions, throughout

¹ British American Tobacco (Investments) and Imperial Tobacco, Case C-491/01

the entire territory of the EU. This principle, also referred to in Article 1(2) of the CTMR, precludes Member States from interfering with the right to use a CTM as a result of domestic provisions.

BASCAP believes that the CTMR does not contain provisions which would legally allow United Kingdom to undermine the unitary character of CTMs. Any restriction on use of CTMs would also create unlawful barriers to trade between the Member States, and would breach Articles 11, 16 and 17 of the Charter (as well as equivalent provisions of the European Convention on Human Rights). BASCAP believes that existing tobacco regulation, both at an EU and Member State level, more than adequately protects the health and life of humans. As indicated above, the British Government's plain packaging proposals are therefore contrary to EU law.

3. Like BASCAP, the United Kingdom is a stakeholder in the European Observatory on Infringements of Intellectual Property Rights. One of the primary functions of the Observatory is to support the fight against counterfeiting and Intellectual Property crime. BASCAP notes that Her Majesty's Revenue and Custom's 'Tobacco Tax Gap Estimates (2012-13)' highlighted that the illicit market in the United Kingdom makes up to 9% of the total cigarette market and 36% of the total hand rolled tobacco (HRT) market and that the annual cost of tobacco smuggling is almost £3bn. Having regard to these findings, BASCAP is concerned that the introduction of 'standardised' packaging into the United Kingdom will lead to the burgeoning of the illicit tobacco trade in the United Kingdom and beyond throughout the rest of the European Union.
4. Having regard to its position as a stakeholder in the European Observatory on Infringements of Intellectual Property Rights, BASCAP further observes that the UK House of Commons Home Affairs Committee report of 2014 on tobacco smuggling found that "tobacco smuggling was a "significant threat to UK tax revenues and to public health". The Committee's report also made clear that illicit tobacco had public health implications as it made "smoking more affordable" and because many such products were made from "unregulated materials". Two important findings of the Committee included:
 - In 2012, 1 billion illegal cigarettes were smoked in the United Kingdom, an increase of 49% since 2011. This was despite an increase in the resources dedicated to anti-smuggling operations;
 - The number of prosecutions and convictions for organised crime cases involving tobacco has fallen over the past three years. The Committee noted with concern that "we do not believe that these numbers are decreasing due to the reduction in this type of crime..."
5. BASCAP also wishes to draw the Commission's attention to the 'Populus' survey and research' findings of 12th to 25th May 2014 which found that 68% of serving police officers in Great Britain agreed that introducing plain packaging will lead to an increase in the black market cigarettes. Significantly, 60% of the officers said they believed that plain packaging would cause kids to turn to the black market.

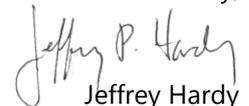
There is no doubt that tobacco is one of the products actively targeted by counterfeiters and black marketers. BASCAP strongly believes that the proposal by the United Kingdom to bring in plain/standardized packaging is only likely to lead to the burgeoning of the illicit tobacco trade in the United Kingdom and throughout the European Union. Ultimately, the proposed regulations will greatly hinder the role of the Observatory in tackling counterfeiting and will be incompatible with the United Kingdom's membership of the Observatory.

6. BASCAP notes that the European Union, as part of major revisions to the Tobacco Products Directive (2014/40/EU), rejected the mandating of 'plain/standardised' packaging.

It is to be noted that similar proposals notified by Ireland to the Commission (Notification 2014/277/IRL) have been subject to an unprecedented submission of Detailed Opinions from nine other EU Member States. These opinions must surely highlight the serious concerns other Member States have with regards to the impact plain packaging will have on the proper functioning of the European Internal Market.

In light of our comments above, BASCAP believes that the UK Government should strongly consider the impact plain packaging proposals may have in compromising intellectual property rights protection domestically, within the European Union and with respect to United Kingdom and the EU's international trade and IP obligations.

Yours sincerely,


Jeffrey Hardy
BASCAP Director

cc: Mrs Lisa Rogers – Department for Business, Innovation & Skills.

About BASCAP

The drain on businesses and the global economy from counterfeit goods and piracy of intellectual property is of great concern to ICC member companies worldwide. Business Action to Stop Counterfeiting and Piracy (BASCAP) is an ICC initiative that unites the global business community across all product sectors to address issues associated with intellectual property theft and to petition for greater commitments by local, national and international officials in the enforcement and protection of intellectual property rights.

BASCAP supports the protection of public health as an underlying principle. As such, our views pertain to extenuating impacts on intellectual property rights and counterfeiting, and not the health-related aspects of the British Government's envisaged legislation. Furthermore, we preface our views with the acknowledgement that BASCAP membership comprises, inter alia, companies engaged in the manufacture and sale of tobacco products. Nonetheless, these views are registered on behalf of the cross-sector representation of BASCAP member companies equally concerned about the wider implications of the envisaged legislation.

For information, please visit: www.iccwbo.org/bascap.