Tobacco Plain Packaging Legislation in the Context of the Rationale of European Trade Mark Law: Public Policy, Justification, Compatibility

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List of Abbreviations

- Am. J.L. & Med.: American Journal of Law & Medicine
- Am. U. Int'l L. Rev.: American University International Law Review
- Asian J. WTO & Int'l Health L & Pol'y: Asian Journal of WTO & International Health Law and Policy
- B.C. L. Rev.: Boston College Law Review
- B.U. L. Rev.: Boston University Law Review
- BMC Public Health : Biomed Central Public Health
- BYU L. Rev.: Brigham Young University Law Review
- Cardozo Arts & Ent. L.J.: Cardozo Arts & Entertainment Law Journal
- Case W. Res. L. Rev.: Case Western Reserve Law Review
- Cath. U. L. Rev.: Catholic University Law Review
- CMAJ: Canadian Medical Association Journal
- Colum. L. Rev.: Columbia Law Review
- Cornell L. Rev.: Cornell Law Review
- DePaul L. Rev.: DePaul Law Review
- E.I.P.R.: European Intellectual Property Review
- E.J.L. & E.: European Journal of Law & Economics
- Emory L. J.: Emory Law Journal
- Eur. J. Risk Reg.: European Journal of Risk Regulation
- Fla. L. Rev.: Florida Law Review
- Fordham Intell. Prop. Media & Ent. L.J.: Fordham Intellectual Property, Media and Entertainment Law Journal
- Geo. L. J.: The Georgetown Law Journal
- Harv. J. L. & Pub. Pol'y: Harvard Journal of Law & Public Policy
- Harv. J. L. & Tech.: Harvard Journal of Law & Technology
- Harv.L.Rev.: Harvard Law Review
- Hous. L. Rev.: Houston Law Review

- I.P.Q.: Intellectual Property Quarterly
- IIC: International Review of Intellectual Property and Competition Law
- Ind. L. Rev.: Indiana Law Review
- Int. A.L.R.: International Arbitration Law Review
- Int. J. Drug Policy: International Journal of Drug Policy
- Int'l Trade & Bus. L. Rev.: International Trade and Business Law Review
- J Adolesc Health: Journal of Adolescent Health
- J. Contemp. Legal Issues: Journal of Contemporary Legal Issues
- J. Marshall Rev. Intell. Prop. Liv: The John Marshall Review of Intellectual Property Law
- J. Pat. Off. Soc'y: Journal of the Patent and Trademark Office Society
- J.I.P.L.P: Journal of Intellectual Property Law & Practice
- J.L. & Econ.: The Journal of Law and Economics
- JWIP: The Journal of World Intellectual Property
- Liverp Law Rev: Liverpool Law Review
- Managing Intell. Prop.: Managing Intellectual Property
- Marq. Intell. Prop. L. Rev.: Marquette Intellectual Property Law Review
- Mich. L. Rev.: Michigan Law Review
- Monash U. L. Rev.: Monash University Law Review
- N.C. L. Rev.: North Carolina Law Review
- N.C.J. Int'l L. & Com. Reg.: North Carolina Journal of International Law and Commercial Regulation
- Notre Dame L. Rev.: Notre Dame Law Review
- Nw. U. L. Rev.: Northwestern University Law Review
- Ohio St. L.J.: Ohio State Law Journal
- S. C. L. Rev.: South Carolina Law Review
- SMU Sci. & Tech. L. Rev.: Science and Technology Law Review
- T.D.M.: Transnational Dispute Management
- Tex. L. Rev.: Tex. L. Rev

- TMR: Trademark Reporter
- Trademark Rep.: Trademark Reporter
- U. Chi. L. Rev.: The University of Chicago Law Review
- U. Cin. L. Rev.: Cincinnati Law Review
- U. Miami L. Rev.: University of Miami Law Review
- U. Pa. J. Const. L.: University of Pennsylvania Journal of Constitutional Law
- U. Toronto L.J.: University of Toronto Law Journal
- U.N.S.W.L.J.: University of New South Wales Law Journal
- UCLA LAW REVIEW: University of California Los Angeles Law Review
- Va. L. Rev.: Virginia Law Review
- Vand. J. Transnat'l L.: Vanderbilt Journal of Transnational Law
- Wash. U. Global Stud. L. Rev.: Washington University Global Studies Law Review
- Willamette L. Rev.: Willamette Law Review
- Wm. & Mary L. Rev.: William & Mary Law Review
- Y.L.J: The Yale Law Journal

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European Union

- Charter of Fundamental Rights of the European Union (2012/C 326/02).
- Directive (EU) 2015/2436 of the European Parliament and of The Council of 16 December 2015 to approximate the laws of the Member States relating to trade marks.
- Directive 2001/37/EC of the European Parliament and of the Council of 5 June 2001 on the approximation of the laws, regulations and administrative provisions of the Member States concerning the manufacture, presentation and sale of tobacco products.
- Directive 2003/33/EC of the European Parliament and of the Council of 26 May 2003 on the approximation of the laws, regulations and administrative provisions of the Member States relating to the advertising and sponsorship of tobacco products.
- Directive 2006/114/EC of the European Parliament and of the Council of 12 December 2006 concerning misleading and comparative advertising.
- 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 (Audiovisual Media Services Directive).
- Directive 2014/40/EU of the European Parliament and of the Council of 3 April 2014 on the approximation of the laws, regulations and administrative provisions of the Member States concerning the manufacture, presentation and sale of tobacco and related products and repealing Directive 2001/37/EC (Tobacco Products Directive).
- Directive 97/36/EC of the European Parliament and of the Council of 30 June 1997 amending Council Directive 89/552/EEC on the coordination of certain

provisions laid down by law, regulation or administrative action in Member States concerning the pursuit of television broadcasting activities.

- Directive 2008/95/EC of the European Parliament and the Council of 22 October 2008 to approximate the laws of the Member States relating to trade marks
- Regulation (EU) NO 549/2013 of the European Parliament and of the Council of 21 May 2013 on the European system of National and Regional Accounts in the European Union, Annex A, Chapter 3 Transactions in Products and Non-Produced Assets.
- Regulation 2015/2424 of The European Parliament and of the Council of 16 December 2015 amending Council Regulation (EC) No 207/2009 on the Community Trade mark and Commission Regulation (EC) No 2868/95 implementing Council Regulation (EC) No 40/94 on the Community trade mark, and repealing Commission Regulation (EC) No 2869/95 on the fees payable to the Office for Harmonization in the Internal Market (Trade Marks and Designs).
- Treaty on the Functioning of the European Union.
- Regulation (EU) 2017/1001 of the European Parliament and of the Council of 14 June 2017 on the European Union trade mark
- Council Directive 89/104/EEC of 21 December 1988 to approximate the laws of the Member States relating to trade marks.
- Council Directive of 3 October 1989 on the coordination of certain provisions laid down by law, regulation or administrative action in Member States concerning the pursuit of television broadcasting activities (89/552/EEC).
- Council Directive 89/622/EEC of 13 November 1989 on the Approximation of the Laws, Regulations and Administrative Provisions of the Member States Concerning the Labelling of Tobacco Products.
- Council Directive 90/239/EEC of 17 May 1990 on the Approximation of the Laws, Regulations and Administrative Provisions of the Member States Concerning the Maximum Tar Yield Of Cigarettes.

- Council Directive 91/676/E.E.C. of 12 December 1991 concerning the protection of waters against pollution caused by nitrates from agricultural sources.
- Council Directive 92/79/EEC of 19 October 1992 on the Approximation of Taxes on Cigarettes.
- Council Regulation (EC) No 40/94 of 20 December 1993 on the Community Trade Mark.
- Council Regulation (EC) No 40/94 of 20 December 1993 on the Community trade mark.
- Council Directive 95/59/EC of 27 November 1995 on Taxes Other Than Turnover Taxes Which Affect the Consumption of Manufactured Tobacco.
- Directive 2012/9/EU of 7 March 2012 amending Annex I to Directive 2001/37/EC of the European Parliament and of the Council on the approximation of the laws, regulations and administrative provisions of the Member States concerning the manufacture, presentation and sale of tobacco products.
- Commission Delegated Directive 2014/109/EU of 10 October 2014, amending Annex II to Directive 2014/40/EU of the European Parliament and of the Council by establishing the library of pictorial warnings to be used on tobacco products.

United Kingdom

- Children and Families Act 2014.
- Copyright, Designs and Patents Act 1988.
- The Standardised Packaging of Tobacco Products Regulations 2015.
- Trade Marks Act 1994.

Australia

- Australian Tobacco Plain Packaging Act 2011.
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- *Celine Sarl v Celine SA*, C-17/06 [2007] E.T.M.R. 80.
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- *JW Spear & Sons Ltd, Mattel Inc and Mattel UK Ltd v Zynga Inc*, [2015] EWCA Civ 290.
- *L'Oréal SA v Bellure NV*, [2010] R.P.C. 23.
- *Laboratoires Goemar SA v La Mer Technology Inc*, [2005] EWCA Civ 978.
- *London Taxi Corp Ltd (t/a London Taxi Co) v Fraser-Nash Research Ltd* [2016] EWHC 52 (Ch).
- *Maier and another v ASOS plc and another*, [2016] Bus. L.R. 1063.
- *O2 Holdings Ltd v Hutchison 3G Ltd*, [2006] EWHC 534.
- *Pete Waterman Ltd v CBS United Kingdom Ltd* [1993] E.M.L.R. 27 Ch 45.
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- *Sky Plc & Ors v Skykick UK Ltd & Anor*, [2018] EWHC 155 (Ch).
- *Societe des Produits Nestle SA v Cadbury UK Ltd* [2016] EWHC 50 (Ch).
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- *OAO Neftyanaya Kompaniya Yukos v Russia* 54 E.H.R.R. 19 2012.
- *Pinnacle Meat Processors Company v UK* 27 E.H.R.R. CD217 1999.
- *Tre Traktörer AB v Sweden,* (1989) 13 EHRR 309.
- Van Marle and Others v The Netherlands, (1986) 8 E.H.R.R. 483.
- *Vékony v Hungary* ECHR5 2015.

Australia

- *JT International SA v Commonwealth of Australia* [2012] HCA 43.

Abstract

Trade marks play a crucial role in our economy. By indicating trade origin, they facilitate the sale of trademarked products as well as signalling information about their quality. However, advancements in advertising enabled trade marks to become powerful tools that attract consumers and develop an aura that influences purchase decisions. While the main purpose of European trade mark law is the protection of the trade origin function, it also recognises and protects these 'modern functions' of trade marks, including the advertising, investment and communication functions.

Tobacco plain packaging legislation is the latest development in tobacco control in the European Union and it also affects the functions of trade marks. It requires that the word marks of tobacco products should appear in a standardised way on tobacco packaging while preventing the use of any other trade marks. By doing so, tobacco plain packaging legislation aims to diminish the advertising, investment and communication functions of trade marks in order to reduce the power of attraction of trade marks and the influence they have on consumers. Tobacco plain packaging legislation is the first legislation that fully standardises the appearance of product packaging. This absolute nature of tobacco plain packaging legislation led to controversy and it was challenged, inter alia, under the provisions of the Agreement on Trade-Related Aspects of Intellectual Property Rights of the World Trade Organization and under the jurisdiction of the Court of Justice of the European Union.

This thesis assesses the prohibitive provisions of tobacco plain packaging legislation in the light of the recently expanded rights given to trade mark proprietors under trade mark law. Through this assessment, it explains that the modern functions of trade marks recently recognised in the expansion of trade mark rights form the theoretical basis of the restrictive provisions of tobacco plain packaging legislation. Although they share the same theoretical basis, trade mark law provisions amplify the effect of the modern functions of trade marks while the provisions of tobacco plain packaging disable them.

Therefore, this thesis uses tobacco plain packaging legislation as an analytical tool to examine the way trade mark law evolves. It evidences that the development of trade mark law is guided by the attribution of functions to trade marks and the balancing of the interests of the relevant parties involved. By viewing the development of trade mark law as the result of this two-stage process, this thesis argues that tobacco plain packaging should not be seen as an intrusive piece of legislation but as a legislation which is coherent with the development of the principles of European trade mark law. This thesis concludes that the way trade marks are used is shaped by the policy under which they are governed and as a result, trade mark law can play an important role in the enforcement of public policy considerations.

Declaration

No portion of the work referred to in the thesis has been submitted in support of an application for another degree or qualification of this or any other university or other institute of learning.

Copyright Statement

Dedication

To my parents who have never stopped believe in me.

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Chapter One

Introduction

1.1 The Current Landscape of Trade Mark Law

It is indisputable that trade marks play a vital role in the marketplace. Throughout the years, the needs and practices of a given trade system dictate the use of trade marks. The signs we know as trade marks were originally created to be used as indicators of origin.[1] Today, trade marks primarily aim to indicate the *trade* origin of the products they are affixed to.[2] Over time, trade marks have evolved, and now serve as indicators of quality, symbols of culture and means of advertising.[3] For this reason, the legislations regulating trade mark law are crucial to the economy.

By developing the appropriate legislations and regulations, it is possible to safeguard the exclusive use of particular trade marks for particular products or services. This will reduce consumer deception and aid the communication of product information which would be expensive and time-consuming to communicate by other means.[4] To achieve this result, trade mark law provides, for example, the registration system for trade marks to recognise this exclusivity,[5] as well as the infringement framework to *protect* this exclusivity.[6] In essence, trade mark law affects the way trade marks are used in the

[1] G. Ruston, 'On the Origin of Trademarks' 45 *Trademark Rep.* 127 1955, 130.

[2] According to Recital 16 of the Directive 2015/2436 of The European Parliament and of the Council of 16 December 2015 to approximate the laws of the Member States relating to trade marks, the function of registered trade marks 'is in particular to guarantee the trade mark as an indication of origin'.

[3] See T. D. Drescher, 'The Transformation and Evolution of Trademarks – From Signals to Symbols to Myth' 82 *Trademark Rep.* 301 1992.

[4] See W. M. Landes et al., 'Trademark Law: An Economic Perspective' 30 *J.L. & Econ.* 265 1987.

[5] See Directive 2008/95/EC of the European Parliament and the Council of 22 October 2008 to approximate the laws of the Member States relating to trade marks (Directive 2008/95/EC), Articles 3-4. This is also reflected in Directive (EU) 2015/2436 of the European Parliament and of The Council of 16 December 2015 to approximate the laws of the Member States relating to trade marks (Directive (EU) 2015/2436), Articles 3-9. According to Article 54 of the Directive (EU) 2015/2436, the member states have to implement the changes that it requires by January 2019, except the changes required by Article 54 which must be implemented by January 2023.

[6] See Directive 2008/95/EC Article 5. This is also reflected in Article 10 of the Directive (EU) 2015/2436

marketplace, which has a direct impact on consumers' purchasing decisions and behaviour, as well on investment decisions.

As a result of this significance, European trade mark law is constantly questioned and scrutinised, and recent developments re-opened the debate on the nature of the rights which trade marks confer upon their proprietors in the context of the tobacco industry. In 2014, the European Commission reignited this debate by opening the door for prohibiting the use of trade marks on tobacco products under tobacco plain packaging legislation.[7] This legislation standardises the way trade marks should appear on tobacco products and prohibits the use of any figurative trade marks. It has currently been enacted in four European Union Member States,[8] and it provides an additional measure in the ongoing public health battle against the use of tobacco products.[9]

Although it is mainly concerned with tobacco control in the European Union, tobacco plain packaging legislation also falls under the wider regime of European trade mark law because it controls the way trade mark proprietors utilise their exclusive rights over their registered trade marks. The enforcement of tobacco plain packaging legislation has created an academic debate in relation to the functions of trade marks, the way trade marks should and should not be used, and whether such prohibitive legislation is compatible with the fact that, by law at least, trade marks are objects of property.[10] Therefore, the justifications as well as the consequences of tobacco plain packaging legislation will be examined in this thesis.

[7] Directive 2014/40/EU of the European Parliament and of the Council of 3 April 2014 on the approximation of the laws, regulations and administrative provisions of the Member States concerning the manufacture, presentation and sale of tobacco and related products and repealing Directive 2001/37/EC (Tobacco Products Directive), Article 24.
[8] UK, France, Ireland and Hungary.
[9] For a sample of Tobacco Plain Packaging see Figure 1 in Appendix.
[10] E. Bonadio, 'Plain Packaging of Tobacco Products Under EU Intellectual Property Law' *E.I.P.R.* 2012 34(9) 599-608.

This debate erupted not long after the expansion of the trade mark proprietor's rights within the European Union. In 2009, the Court of Justice of the European Union (hereinafter 'the Court' or 'the CJEU') ruled in a number of important decisions that the law should protect all the functions of trade marks, including their communication, advertisement and investment functions.[11] This re-started the discussion around the definition of the functions of trade marks and the justification for such expansions.[12] In 2015, though the Commission had the chance to overturn this decision, it did not, as is evident in the latest Trade Marks Directive.[13] Therefore, the law recognises the expanded proprietary rights the functions doctrine creates.

As a result of this, the current landscape of trade mark law finds trade mark rights simultaneously both restricted and expanded. Tobacco plain packaging legislation prohibits the use of trade marks on tobacco products. Conversely, the doctrine of the functions of trade marks provides protection for trade marks in terms of reputation beyond confusion. Needless to say, in both cases, these rules come with conditions. The first applies in relation to trade marks that are used on tobacco products and the second in relation to trade marks with reputation. However, the academic debate on the justifications of both developments of trade mark law involved the examination of questions found at the core of trade mark law concepts and principles. For example, what is the purpose of trade mark law? What role do trade mark functions play in the law? Which interests does trade mark law serve? This thesis addresses these questions to demonstrate that the two marginal regulations of trade marks can be seen under a reconciled system of trade mark law.

[11] See *L'Oréal SA v Bellure NV*, C-487/07 [2010] R.P.C. 1, *Interflora v Marks & Spencer*, C-323/09 [2012] F.S.R. 3, 66, *Viking Gas A/S v Kosan Gas A/S*, C‑46/10 [2011] E.T.M.R. 58.

[12] For the controversy of this expansion see J. Tarawneh, 'A New Classification for Trade Mark Functions' *I.P.Q.* 2016 4 352-370.

[13] See the Proposal for a Directive of the European Parliament and of the Council to Approximate the Laws of the Member States relation to Trade Marks, Brussels, 8.6.2015, 2013/0089 (COD) and Directive (EU) 2015/2436.

Furthermore, the above-mentioned debate involves the examination of the interests which trade mark law should aim, to protect. Trade mark law primarily balances the interests of trade mark proprietors with the public interest which covers the consumers and society as a whole. It is in the interest of proprietors to expand their exclusive rights to ensure maximum capitalisation of their trade marks. At the same time, it is in the public interest for trade marks to be fairly regulated so that their use may be of general benefit. Therefore, it is evident that various aspects of trade mark law both affect and are affected by multiple interests. This balancing act lies at the heart of the tobacco plain packaging legislation. Although tobacco plain packaging legislation is the latest development in tobacco control, it also creates questions in relation to the very nature of trade marks and their rationale. These questions in turn raise the overarching question: how is trade mark law developed and to what end? The thesis will try to answer this question by assessing the provisions of tobacco plain packaging legislation in the light of European trade mark law.

1.2 The Importance of Tobacco Plain Packaging Legislation

Today, there is no doubt that tobacco products are very harmful. When used as intended by their manufacturer, they kill approximately 50% of users.[14] In order to inform the public about their harmful nature and reduce tobacco product sales, the EU heavily regulates the sale and use of tobacco products through various tobacco control measures. Tobacco control is part of the wider agenda of policies protecting public health.[15] Examples of these measures include: excise taxation; media campaigns; smoke-free public spaces; written and pictorial warnings on packaging; banning the display of products at the point of display; prohibition on the use of deceptive descriptors such as 'light' and 'mild'; limits on duty-free imports, and more.

[14] S. Chapman et al., *Removing the Emperor's Clothes: Australia and Tobacco Plain Packaging* (Sydney University Press, 2014) 90.

[15] V. S. Vadi, 'Global Health Governance at a Crossroads: Trademark Protection v Tobacco Control in International Investment Law' 48 *Stan. J. Int'l L.* 93 2012, 100.

It has been long recognised that the sales of tobacco products depend mainly on their promotion. The Director General of the World Health Organization characterises tobacco use as a pandemic.[16] Research suggests that tobacco advertising uses three persuasion techniques: 'reassurance, misdirection of attention and inducements to be brave in the face of fear'.[17] However, the heavy regulations of the promotion and advertising of tobacco products is not considered to be enough, since the tobacco industry can still apply these techniques by using their trade marks on the packaging of tobacco products.

Taking this into account, the EU Directive for the presentation of tobacco products explicitly gives Member States of the EU the right to maintain or introduce requirements 'in relation to the standardisation of the packaging of tobacco products'.[18] This is tobacco plain packaging legislation, the latest development in tobacco control. It standardises, inter alia, the way the word mark should appear on the packaging of a tobacco product (e.g. font, colour, size) and prohibits the use of other trade marks and embellishments. In other words, it takes into account the contemporary ways trade marks function and prohibits these functions for the benefit of public health.

For the purposes of product promotion and advertising, trade marks are used as the central element of all commercial communications. They are an important aspect of the advertisement itself, as they attempt to inform, influence and persuade consumers. The unique communicational power of trade marks enables them to promise a product

[16] Gro Harlem Brundtland, Director General of the World Health Organization, 1999, http://kpi.ua/en/node/10593, accessed 4 June 2018.
[17] G. Howells, *The Tobacco Challenge – Legal Policy and Consumer Protection* (Ashgate, 2011) 66.
[18] Tobacco Products Directive (n. 7) Article 24(2).

experience like no other sign.[19] For that reason, without the use of trade marks, tobacco packaging inevitably appears 'boring, daunting and lifeless'.[20]

Tobacco plain packaging legislation is a source of controversy 'located at the very core of the intersection between international trade law, intellectual property rights, and public health.'[21] The fact that it affects the use of trade marks on tobacco products created legal disputes in relation to whether it is a proportional measure for the purposes it is aiming to achieve, or even a valid one.[22] Usually, the protection of public health would suffice as the sole justification for a tobacco control measure.[23] However, the extremely restrictive nature of tobacco plain packaging legislation calls for a justification beyond public health. Such justification must prove that trade marks on tobacco packaging are the source of the harm tobacco causes, or at least that they are a contributing factor, and that their standardisation is the remedy for such harm.[24]

That said, it should be noted that trade mark law does not exist in a vacuum. It is founded on a 'strong public order mission' and it should be examined in relation to other branches of law.[25] Trade mark law is characterised as the legal instrument that forms 'the forces by which consumer understanding is developed.'[26] Just as the law and

[19] R. L. Underwood, 'The Communicative Power of Product Packaging: Creating Brand Identity via Lived and Mediated Experience' *Journal of Marketing Theory and Practice* Vol. 11 No. 1 (Winter, 2003), 62-76, 69.

[20] Bonadio (n. 10) 602 citing A. Paladino, 'The Impact of Packaging on Brands - The Case of Cigarettes', a presentation held at the IPRIA Seminar 'Banning Tobacco Logos: A Look at the Issues', Melbourne, May 26, 2010.

[21] S. S. Gu, ' Plain Tobacco Packaging's Impact on International Trade and The Family Smoking Prevention and Tobacco Control Act In The U.S. and Drafting Suggestions' 16 *Wash. U. Global Stud. L. Rev.* 197, 197.

[22] S. A. Hinchliffe, 'Comparing Apples and Oranges in Trademark Law: Challenging the International and Constitutional Validity of Plain Packaging of Tobacco Products' 13 *J. Marshall Rev. Intell. Prop. L iv* 2013-2014, 135.

[23] P. K. Henning et al., 'Plain Packaging on its Way to Europe: Competence Issues and Compatibility with European Fundamental Rights' *T.D.M.* 1875-4120 Vol. 9 Issue 5 November 2012, 12.

[24] P. Basham et al., 'Erasing Intellectual Property: "Plain Packaging" for Consumer Products and the Implications for Trademark Rights' *Washington Legal Foundation*, 2011, 4.

[25] T. Scassa, 'Antisocial Trademarks' 103 *Trademark Rep.* 1172 2013, 1177. See also, A. Alemanno et al., *The New Intellectual Property of Health Beyond Plain Packaging* (Edward Elgar Publishing, 2016) 7.

[26] G. B. Dinwoodie et al., 'Confusion Over Use: Contextualism in Trademark Law' 98 *Trademark Rep.* 1086 2008, 1092.

human behaviour shape and are shaped by one another, consumer understanding is shaped by trade mark law and has the ability to shape public policy.[27] As such, this thesis argues that consumer understanding is reflected in the regulation of the use of trade marks and has brought to life the concept of tobacco plain packaging. In addition to this, trade mark law can also benefit from the scrutiny it has undergone in search of justification for tobacco plain packaging legislation. According to Hinchliffe, 'revisiting trademark principles in the context of plain packaging is important because this new regulatory technique calls into question much of the dominant account of modern trademark law.'[28]

This thesis therefore uses tobacco plain packaging legislation as an analytical tool to revisit and redefine the rationale behind the European trade mark law. In doing so, it demonstrates that trade mark law should be seen as a useful policy device for the regulation of products and services.

1.3 The Significance of this Thesis and the Knowledge Gap

Today, a great volume of literature exists concerning tobacco plain packaging legislation. The main themes of the majority of this literature can be grouped as follows: articles about the ways in which tobacco packaging should be presented under such legislation,[29] papers about the reasons why such legislation could help reducing smoking levels,[30] reports about the potential impact of such legislation and the fact that other

[27] F. S. Cohen, 'Transcendental Nonsense and the functional approach' 35 *Colum. L. Rev.* 809 1935, 844.
[28] Hinchliffe (n. 22) 140.
[29] The various possible ways tobacco products could appear under plain packaging were firstly discussed in New Zealand Toxic Substances Board, 'Generic Packaging Meeting 22/9/93', http://legacy.library.ucsf.edu/tid/msq47a99/pdf, accessed 17 June 2018.
[30] See for example P. Beede et al., 'The Effect of Plain Packages on the Perception of Cigarette Health Warnings' *Public Health* (1992) 106 315-322.

countries consider adopting it[31] and empirical studies examining the effects of tobacco plain packaging and plain packaging in general and their impact on the consumer.[32]

Although the vast majority of academic literature concerning tobacco plain packaging evolved from a social sciences approach, the issue has also been discussed from a legal perspective. The main themes discussed in these legal articles are as follows: articles reporting on the implementation of the Australian Tobacco Plain Packaging Act 2011 (TPP Act),[33] and the proceedings brought against it at the Australian High Court,[34] reports about the proceedings brought by Ukraine, Honduras, the Dominican Republic and Cuba under the World Trade Organization (WTO) claiming that the TPP Act contradicts provisions of the TRIPS Agreement[35] and articles about the tobacco trade mark proprietor's propriety rights.[36]

Furthermore, three books have been published regarding the issues raised by tobacco plain packaging legislation. *Public Health and Plain Packaging of cigarettes: Legal Issues* is the first one.[37] It was published in 2012; before the TPP Act came into force. It is a compilation of nine articles that discuss the legal issues listed above. The second book, published in 2014, is titled *Removing the emperor's clothes - Australia and tobacco plain packaging*.[38] Written by a public health professor from The University of Sydney Medicine Department, it examines the history and implications of tobacco plain packaging legislation from the sociological and medical perspectives. The third book,

[31] These reports are usually short and sometimes published by practitioners. For example see K. Stephens et al., 'Plain Packaging: The Lessons So Far' 239 *Managing Intell. Prop.* 46, 2014.
[32] For an early example of such research see R. Pechey et al., 'Impact of Plain Packaging of Tobacco Products on Smoking in Adults and Children: An Elicitation of International Experts' Estimates' *BMC Public Health* 2013, 13:18.
[33] Australian Tobacco Plain Packaging Act 2011.
[34] For the outcome of the court proceedings see J. Libermant, 'Plainly Constitutional: The Upholding of Plain Tobacco Packaging by the High Court of Australia' 39 Am. J. L. & Med. 361 2013.
[35] See for example Frankel S. et al., 'Plain Packaging and the Interpretation of the TRIPS Agreement' 46 *Vand. J. Transnat'l L.* 1149 2013.
[36] For the proprietor's rights see for example T. Voon, 'Acquisition of Intellectual Property Rights: Australia's Plain Tobacco Packaging Dispute' *E.I.P.R.* 2013, 35(2), 113-118.
[37] T. Voon et al., *Public Health and Plain Packaging of Cigarettes: Legal Issues* (Edward Elgar, 2012).
[38] Chapman (n. 14).

The New Intellectual Property of Health: Beyond Plain Packaging,[39] was published in 2016. In this collection of essays relating to intellectual property and public health, the authors analyse the legal issues raised by tobacco plain packaging legislation and go a step further, examining the ways in which trade mark law and patent law can be used to protect the public health.

The work most relevant to this thesis is that of Bonadio who has written two articles on the legal issues of tobacco plain packaging legislation. The first, published in 2012, is titled *Plain Packaging of Tobacco Products Under EU Intellectual Property Law*. In this article, Bonadio argues that tobacco plain packaging legislation is compliant with EU law; that the functions of trade marks will be affected by such legislation; that the non-use of the tobacco trade marks will not result in revocation of these trade marks; and that the potential introduction of tobacco plain packaging legislation in the European Union may affect the 'unitary character of EU trade mark law'.[40] His next publication, in 2014, is titled *Bans and restrictions on the use of trademarks and consumers' health*. In this article, Bonadio favours the opinion that the WTO, in the proceedings brought against Australia, should find no interference with the trade mark proprietor's property rights since the rights conferred by trade mark registration are merely negative rights. He also argues that the measures of tobacco plain packaging legislation are proportional, taking into account their aim to protect public health by reducing smoking levels, and that this aim will be achieved.[41]

In summary, the existing literature before and after the implementation of the TPP Act sets the initial discussion on the issues raised by this legislation. It is therefore evident that the literature produced in relation to the potential legal implications of tobacco plain packaging legislation, and particularly when it comes to the interaction of tobacco

[39] Alemanno (n. 25)
[40] Bonadio (n. 10) 34(9).
[41] E. Bonadio, 'Bans and Restrictions on the Use of Trademarks and Consumers' Health' *I.P.Q*. 2014 4 326-345.

plain packaging legislation with trade mark law, is at a premature stage. As such, this thesis holds that there is a knowledge gap in the existing literature which creates the need for further research.

The importance of this research stems from three main themes of discussion. The first is the analysis of the rationale of European trade mark law. This includes the recognition of trade marks as objects of property and the development of the essential function of trade marks and the modern functions of trade marks. The second is in relation to the way the theoretical basis that justifies tobacco plain packaging legislation reconciles the recent expansion of the trade mark owners' rights through the modern functions and the restrictions of these rights through tobacco plain packaging legislation. Finally, the third theme of this research includes the universal coherent process under which European trade mark laws are developed. By exploring these three themes, this thesis attempts to build on the literature relating to the issues raised in the current trade mark law landscape in general, and the uses raised from the introduction of tobacco plain packaging legislation in particular.

1.4 Research Questions

This thesis seeks to address the following questions:

(1) What are the theoretical basis and the justification for tobacco plain packaging legislation?
(2) How does tobacco plain packaging legislation affect tobacco trade marks as regulated by the European trade mark law system and its doctrines?
(3) Is there a universal, coherent process under which European trade mark laws are developed?

These questions are addressed using the methodological approach explained in the next section.

1.5 Research Methodology

A qualitative approach is taken for the analysis of these research questions. In particular, this thesis has been carried out using the doctrinal research methodology. The relevant primary and secondary sources are used. These can be separated into three categories of literature: trade mark law, marketing and tobacco control. Firstly, this thesis employs the relevant aspects of the legislation that governs trade marks, European Commission communications, the rulings of the Court of Justice of the European Union and the books and journal articles that form the academic literature surrounding trade mark law. These sources constitute the main research tools. Their critical examination provides both the updated theoretical background and the conceptual bases of trade mark law as developed in the European Union.

Taking into account the nature of trade marks as tools partially created by consumers and wholly used in the marketplace, it is evident that there is a need for consultation of further literature. Therefore, in addition to that mentioned above, this thesis uses certain marketing, branding and consumer sources to strengthen its theoretical legal analysis.

Finally, the doctrinal analysis of this thesis includes the relevant primary and secondary sources regarding tobacco control. In addition to being the latest development of trade mark law, tobacco plain packaging legislation is also the latest development in tobacco control laws. Therefore, it would arbitrary to examine such legislation in isolation from previous tobacco control literature. The plethora of tobacco control laws are necessary to underline how the concept of tobacco plain packaging emerged and the reasons why it is considered necessary to achieve the public health goal of reducing tobacco usage.

1.6 Delimitations of the Thesis

Five delimitations should be set for the purposes of this thesis. Firstly, European trade mark law is based on the Trade Marks Directive[42] for national trade marks and the Trade Marks Regulation[43] for EU trade marks. Where the provisions concerned in this thesis are identical in both the Directive and the Regulation, this thesis refers only to the provisions of the Directive.

Secondly, this thesis does not engage with the debate on whether tobacco plain packaging has actually influenced the reduction of the use of tobacco products. As the latest step in tobacco control, tobacco plain packaging legislation is the subject matter of scientific articles focusing on how and whether it reduces tobacco usage. Although this thesis refers to some of them, it mainly deals with the theory behind tobacco plain packaging legislation rather than its potential effects on public health.

Thirdly, the justification for the use of written and pictorial warnings on tobacco packaging also falls outside of the scope of this thesis. The obligation to use such warnings pre-dates the provisions of tobacco plain packaging legislation to eliminate the figurative trade marks and standardise the word marks. This thesis discusses the requirement of the use of these warnings solely in relation to the doctrine of tarnishment in chapter five and no further examination of the use of these warnings is made.[44]

[42] See n. 5.
[43] See Regulation (EU) 2017/1001 of the European Parliament and of the Council of 14 June 2017 on the European Union trade mark. See also Regulation 2015/2424 of The European Parliament and of the Council of 16 December 2015 amending Council Regulation (EC) No 207/2009 on the Community trade mark and Commission Regulation (EC) No 2868/95 implementing Council Regulation (EC) No 40/94 on the Community trade mark, and repealing Commission Regulation (EC) No 2869/95 on the fees payable to the Office for Harmonization in the Internal Market (Trade Marks and Designs).
[44] See section 5.5.3.

Fourthly, this thesis is not a comparative study. References are made to the discussions on tobacco plain packaging that took place in Canada and the Australian Plain Packaging Act 2011 for the purposes of explaining the historical narrative to the development of tobacco plain packaging legislation in the European Union.

Finally, the research for this thesis was concluded in June 2018, meaning any research published after this date cannot be referenced in its remit.

1.7 Structure

This thesis is organised into seven chapters, as outlined below.

Chapter one introduces the issues examined in this thesis. It explains the landscape of trade mark law and the importance of tobacco plain packaging legislation in relation to trade mark law. It also provides the research questions, the methodology and the delimitations of the thesis.

Chapter two explains the role of tobacco control in public health policy agendas and the need for tobacco plain packaging legislation. As the latest development in tobacco control, tobacco plain packaging legislation follows a long line of tobacco control measures. This chapter summarises the main tobacco control measures in the European Union and explores the creation of the concept of tobacco plain packaging. It further discusses the legal challenges of tobacco plain packaging legislation in relation to international investment law, the international obligations of trade mark law, and the property rights conferred by trade marks.

Chapter three provides the theoretical grounds that justify the recognition of trade marks as objects of property. This chapter starts by explaining that the subject matter of property rights is the communicative aspect of trade marks. By taking these into

account, it applies Locke's labour theory to trade mark law by means of Maniati's and Wilf's applications of the Lockean labour to trade marks and argues that the Lockean labour in relation to trade marks is the creation of goodwill. Furthermore, this chapter defines the doctrine of goodwill and argues that it is the basis of trade mark property rights as trade marks can both represent and generate goodwill. It concludes that the provisions of tobacco plain packaging legislation are likely to affect the value of goodwill represented by tobacco trade marks by reducing the reputation of tobacco trade marks and the patronage of tobacco companies, and this will consequently affect the value of tobacco trade marks as objects of property.

Chapter four explores the influence of the essential function of trade marks, to indicate the trade origin, in European trade mark law and its interaction with tobacco plain packaging legislation. In particular, this chapter discusses the importance of the requirement of the doctrine of distinctive character under trade mark law, and examines the potential consequences of distinctiveness of tobacco trade marks after the implementation of tobacco plain packaging legislation. It concludes that although tobacco plain packaging legislation is unlikely to affect the source distinctiveness of pre-existing trade marks, it is highly likely that it will prevent new trade marks from acquiring such distinctiveness.

Chapter five analyses the development of doctrine of the modern functions of trade marks in the European trade mark law system and the way it is used as the theoretical basis of tobacco plain packaging legislation. For the purposes of this chapter, the development of the functions doctrine and the anti-dilution provision are examined. It explains that both these legal provisions are based on the power of attraction trade marks can develop and argues that this power of attraction can be seen as the theoretical basis of tobacco plain packaging legislation. It further argues that the modern functions of trade marks are a source of controversy and it compares this with the controversy that has arisen around tobacco plain packaging legislation.

Chapter six evaluates the practical consequences that tobacco plain packaging legislation has on the modern functions of tobacco trade marks and on consumers. In particular, this chapter examines the impact tobacco plain packaging legislation has on trade marks as marketing tools and as devices reducing search costs. It explains that trade marks are used as the central elements of all commercial communications because of their ability to inform consumers, store information and advertise. Taking this into account, this chapter explains how tobacco plain packaging legislation reduces the appeal of tobacco packaging, eliminates the 'brand identity' of tobacco products, limits the power of brands to become products themselves, and prevents inventive uses of brands on tobacco packaging. Furthermore, this chapter examines the potential impact of the provisions of tobacco plain packaging legislation on trade marks as devices reducing search costs. It concludes that it is uncertain whether tobacco plain packaging legislation will affect the ability of tobacco trade marks to act as means of accountability and hence their ability to reduce search costs in the long term.

Chapter seven discusses the outcomes of this thesis and concludes that the creation of trade mark law is a two-stage process. These two stages involve the attribution of a function on a type of trade marks and the balancing of the relevant interests. Finally, this thesis proposes that additional research is needed to examine the ways in which trade mark law can be used to serve public policy.

Chapter Two

Tobacco Control in Public Health Policy Agendas and Tobacco Plain Packaging Legislation

2.1 Introduction

Tobacco plain packaging legislation is the latest development in tobacco control. It standardises the way tobacco products should be presented and regulates the appearance of trade marks on tobacco packaging. In particular, tobacco plain packaging legislation standardises the appearance of word marks appearing on the packaging and prohibits the use of any figurative trade marks. Taking into account the restrictive provisions of tobacco plain packaging legislation that affect the tobacco trade marks, this thesis aims to examine the justification of tobacco plain packaging legislation and its interactions with the provisions of trade mark law. The purpose of this chapter is to explain the provisions of tobacco plain packaging legislation as a development of tobacco control. It further explores the tobacco control measures that are in place in the European Union and the disputes that unsuccessfully challenged its legality.

Tobacco control is a branch of public health which has clear and consistent objectives, unlike other areas of public health that have more complex policy goals.[45] Consistent tobacco control regulations aim to remind consumers of the difference between tobacco products and other everyday consumables.[46] This is described as the fight for the 'de-normalisation' of the use of tobacco products.

> 'De-normalisation is currently a popular concept in anti-tobacco circles. [...]
> It is countering the positive image created by the industry of smoking as an

[45] S. Chapman et al., *Removing the Emperor's Clothes: Australia and Tobacco Plain Packaging* (Sydney University Press, 2014) 120.
[46] A. Mitchell, 'Australia's Move to the Plain Packaging of Cigarettes and its WTO Compatibility' 5 *Asian J. WTO & Int'l Health L & Pol'y* 405 2010, 410.

> inspirational activity and fostering the idea of the smoker as an often unsuccessful looser, ostracised from the successful mainstream and using smoking as a crutch for a lack of self-esteem and subject to the odours, illnesses associated with it, to the extent of having to be physically separated from others when smoking.'[47]

This de-normalisation is a general strategy in the 'global war' against the use of tobacco products.[48] According to the International Union Against Cancer, smoking in all developed countries kills about 1.9 million people annually,[49] meaning that smoking can be described as twice as fatal as the sum of all non-medical causes of deaths, and that up to 25% of all deaths caused by cancer can be attributed to smoking.[50] This makes tobacco usage the 'leading global cause of preventable death'.[51] As a consequence the treatment of illnesses caused by smoking costs hundreds of billions of dollars annually.[52]

In a 2009 study on the health costs of smoking, DG SANCO identified two categories of cost. The first includes the physical externalities that encompass the costs of medical conditions of passive smokers. The second pertains to the financial externalities under which fall the costs that are partially burdened by other parties. Amongst others, these identified 'the healthcare cost of treating the illness caused by smoking; losses to employers from increased absenteeism; and losses to society from premature mortality'.[53] Moreover, DG SANCO published estimates of the costs of smoking:

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[47] G. Howells, *The Tobacco Challenge – Legal Policy and Consumer Protection* (Ashgate, 2011) 4.
[48] O. H. Dean, 'Deprivation of Trade Marks Through State Interference in Their Usage' *E.I.P.R.* 2013 35(10) 576-589, 576.
[49] Deaths From Smoking, 'Countries and Groupings of Countries' http://www.deathsfromsmoking.net/countries.html, accessed 23 June 2018.
[50] R. Peto et al., 'Mortality From Smoking In Developed Countries' http://gas.ctsu.ox.ac.uk/tobacco/, accessed 23 June 2018.
[51] World Health Organization, 'WHO Report on the Global Epidemic, 2011: Warning About the Dangers of Tobacco', 8.
[52] *Ibid*, 75.
[53] A report submitted by GHK in association with the University of Exeter (UK) and the Public Health Advocacy Institute (USA), 2008/C6/046, April 2012, 17.

> 'Public healthcare expenditure on treating smoking attributable diseases suffered by smokers is estimated at around €25 billion in 2009, which corresponds to about 2.9% of total healthcare spending in the EU27 and 0.22% of its GDP; Public healthcare expenditure on treating illnesses attributable to environmental tobacco smoking (ETS) is estimated at around €0.38 billion, which corresponds to 0.04% of total healthcare spending in the EU27 and 0.003% of GDP; Smoking related productivity losses (absenteeism and economic inactivity due to incapacity) cost the EU economy an estimated €7.3 billion in the year 2009. This is the equivalent of about 0.06% of EU 27 GDP; Premature mortality attributable to smoking is estimated at €517 billion in 2009 on a willingness-to-pay (WTP) basis, corresponding to 4.4% of the Europe's GDP. All together these estimates suggest a total cost of about €544 billion in 2009, about 4.6% of the EU27' combined GDP.'[54]

Moreover, tobacco use may be a social vice that is fast becoming a relic of a previous age. Howells suggests that tobacco use remains legal only because of 'historical chance', and as such, that a modern society would never allow it to be legal if tobacco were a new discovery.[55] As a result, regulation of tobacco products reflects this contemporary attitude that the product in question should actually be banned:

> 'Tobacco's interaction with law is complex and fascinating. The product's history is closely intertwined with societal values and patterns of behaviour. This has prevented the law, both in its common law and regulatory forms, from being applied to tobacco in the same way as other product. The result has been outcomes that can look contradictory and

[54] DG SANCO 2008/C6/046, A Study on Liability and the Health Costs of Smoking, A Report Submitted by GHK in Association with the University of Exeter (UK) and the Public Health Advocacy Institute (USA), April 2012, 35.
[55] Howells (n. 47) 204, 306.

> give the impression at times that the law is forcing square pegs into round holes since the law is seeking to find ways to regulate a product when the logical regulatory response by contemporary standards would be to ban it. The often apparently inchoate nature of the collection of legal rules regulating tobacco can only be explained by the context of regulators seeking to regulate a product that should be, but cannot be, banned.'[56]

As a result, tobacco plain packaging legislation constitutes the latest weapon of tobacco control that regulates a product that perhaps should be, in an ideal world, be banned. Evidence shows that tobacco plain packaging legislation contributes to making tobacco products less attractive as well as making the health warnings that appear on tobacco packaging more visible.[57] This is the case because, in the heavily-regulated tobacco industry, the packaging was once crucial to marketing:

> 'As with other consumer products, packaging for tobacco products can be used to promote the product (via pack design, innovation, price-marking, and environmentally friendly or 'green' packaging), link to and reinforce other marketing activities, and influence consumer choice through pack colour and other design elements.'[58]

As chapter six explains, all marketing communications – including the packaging of products – have as their central element their trade mark. It is the attack on the trade mark that makes tobacco plain packaging legislation an unprecedented and somewhat innovative tobacco control move. As recognisable font or typography allows the consumer to recognise a trade mark instantly, the standardisation of the word mark that

[56] *Ibid*, 242.
[57] E. Bonadio, 'Plain Packaging of Tobacco Products Under EU Intellectual Property Law' *E.I.P.R.* 2012 34(9) 599-608, 599.
[58] C. Moodie et al., 'Protocol for Plain Tobacco Packaging: A Systematic Review', Public Health Research Consortium, 5th August 2011, http://phrc.lshtm.ac.uk/papers/PHRC_006_Protocol.pdf, accessed 19 June 2018, 1.

remains on the tobacco packaging diminishes the uniqueness of tobacco trade marks and obliterates all potential contexts, including any positive associations the trade mark may hold for consumers.[59]

However, tobacco plain packaging legislation does not come without legal challenge. The attack on trade marks that created the new generation of tobacco control policy has raised questions surrounding the rights trade marks confer on trade mark proprietors. Therefore, the issues surrounding tobacco plain packaging are characterised as controversial.[60] As this chapter examines, the various issues in relation to trade mark rights and tobacco plain packaging have thus far been resolved in favour of public health policy agendas, implying that the protection of public health is a factor which outweighs the rights of trade mark proprietors.

In addition to this, this chapter explains the reasoning behind tobacco control in public health policy agendas. As is concluded in chapter seven, this reasoning plays an essential role in the justification of tobacco plain packaging legislation. Policy motivations for the creation of tobacco plain packaging legislation are clear; they attack the central role of trade marks in marketing communication to reduce smoking levels.[61] As explained in the following chapters, these motivations, in combination with the functions of trade marks, the concept of goodwill, and the influence of trade marks on the consumer are some of the elements that justify tobacco plain packaging legislation.

As a consequence, tobacco trade marks face increasing regulation in government policy attempts to communicate true and pertinent information regarding a lethal but legal

[59] R. Tushnet, 'Gone in Sixty Milliseconds: Trademark Law and Cognitive Science' 86 *Tex. L. Rev.* 507 2007-2008, 529.
[60] P. Johnson, 'Trade Marks Without A Brand: The Proposals on "Plain Packaging" of Tobacco Products' *E.I.P.R.* 2012 34(7) 461-470, 470.
[61] S. A. Hinchliffe, 'Comparing Apples and Oranges in Trademark Law: Challenging the International and Constitutional Validity of Plain Packaging of Tobacco Products' 13 *J. Marshall Rev. Intell. Prop. L iv* 2013-2014, 137.

product.[62] It is worth mentioning that Howell decrees that despite argument over the degree to which behavioural norms can be changed via legislation, 'reduced smoking rates in many Western countries suggest that these legal rules are at least playing their part in helping to reduce smoking.'[63] However, it is not within the remit of this thesis to investigate the effectiveness of any tobacco control measure.

This chapter is divided into six sections. Following the introductory section, in sections 2, 3 and 4 the tobacco control measures in the European Union, the provisions of the Framework Convention on Tobacco Control and the provisions of tobacco plain packaging legislation are examined. Section 5 summarises the investment claim Philip Morris initiated under the Australia Hong Kong Bilateral Investment Agreement against the Australian Tobacco Plain Packaging Act 2011 (the TPP Act) and analyses that tobacco plain packaging legislation was not found to constitute an interference with the obligations of the TRIPs agreement. Furthermore, section 5 examines the failed claims, including the expropriation of property claim, made by the tobacco industry.

2.2 Tobacco Control in the European Union

In order to minimise the harmful effects of the use of tobacco products, the European Union maintains a tobacco control policy. The main aspects of EU tobacco control policy are concerned with the regulation of the packaging, labelling and ingredients of tobacco products; advertising restrictions for tobacco products; the creation of smoke-free environments; tax measures; and activities against illicit trade and anti-smoking campaigns.[64] EU legislature harmonises tobacco control in stages, and thus requires 'only the gradual abolition of unilateral measures adopted by the Member States.'[65] The

[62] S. F. Halabi, 'International Trademark Protection and Global Public Health: A Just-Compensation Regime for Expropriations and Regulatory Takings' 61 *Cath. U. L. Rev.* 325 2011-2012, 379.
[63] Howells (n. 47) 241.
[64] European Commission, 'Public Health - Tobacco' (2008), https://ec.europa.eu/health/tobacco/policy, accessed 12 June 2018.
[65] *R v The Secretary of State for Health,* C-547/14, [2017] Q.B. 327, 23.

maintenance of the internal market and the reduction of smoking levels are the main justifications of these policies. However, these two justifications contradict each other since although some EU Directives purport to promote the functioning of the internal market, their principal objective is the complete ban of tobacco products.[66]

Nonetheless, tobacco products remain legal. The Commission stresses that a total ban on tobacco products is not currently feasible. Taking into account the fact that 28% of EU citizens are smokers, the Commission suggests that a total ban would 'not have the desired effect of stopping the use of tobacco in the EU.'[67] Moreover, an illegal market would doubtless appear as a result, with unreasonable compliance costs also arising.[68] Although legal, then, tobacco products remain heavily regulated products and this section purports to provide a brief summary of the main EU tobacco control measures that regulate tobacco products. All these instruments reinforce one another, and as such they together create a comprehensive tobacco control policy.[69] The first set of measures adopted in the European Union was in relation to the advertising and promotion of tobacco products, as examined below.

2.2.1 Advertising and Promotion

The first tobacco-related Directive was implemented in 1989, prohibiting all forms of television advertising of tobacco products.[70] From this first Directive, the use of brands was seen as an indirect means of advertising and explicitly prohibited:

[66] Howells (n. 47) 218, 205.
[67] Commission Staff Working Document Impact Assessment Accompanying the document Proposal for a Directive of the European Parliament and of the Council on the Approximation of the Laws, Regulations and Administrative Provisions of the Member States Concerning the Manufacture, Presentation and Sale of Tobacco and Related Products, Brussels, 19.12.2012, COM (2012) 788 final, Part 1, 49-50.
[68] See G. Berger-Walliser, 'The Impact of Plain Packaging Regulation on Illicit and Non-Illicit Tobacco Products in the European Union' 38 *N.C.J. Int'l L. & Com. Reg.* 1015 2013.
[69] *Ibid*, 18-19.
[70] Council Directive of 3 October 1989 on the coordination of certain provisions laid down by law, regulation or administrative action in Member States concerning the pursuit of television broadcasting activities (89/552/EEC), Article 13.

> '[I]t is necessary to prohibit all television advertising promoting cigarettes and other tobacco products including indirect forms of advertising which, whilst not directly mentioning the tobacco product, seek to circumvent the ban on advertising by using brand names, symbols or other distinctive features of tobacco products or of undertakings whose known or main activities include the production or sale of such products.'[71]

This was the first of a series of Directives that aim to regulate tobacco products. In a following Directive in 1997, the teleshopping sale of tobacco products was also prohibited,[72] and tobacco companies were banned from sponsoring television programmes.[73] The Tobacco Advertising Directive 2003 prohibits advertising in the press and other printed publications,[74] all forms of radio advertising,[75] and the general sponsorship of events or activities (including the free distribution of tobacco products).[76] The Audiovisual Media Services Directive 2010 prohibits all commercial communications for tobacco products,[77] all tobacco company sponsorships,[78] and all product placements of tobacco products.[79] The Council also recommended that the Member States should adopt legislation prohibiting various forms of advertising and promotion:

[71] *Ibid*, Preamble.
[72] Directive 97/36/EC of the European Parliament and of the Council of 30 June 1997 amending Council Directive 89/552/EEC on the coordination of certain provisions laid down by law, regulation or administrative action in Member States concerning the pursuit of television broadcasting activities, Article 15.
[73] *Ibid*, Article 19.
[74] Directive 2003/33/EC of the European Parliament and of the Council of 26 May 2003 on the approximation of the laws, regulations and administrative provisions of the Member States relating to the advertising and sponsorship of tobacco products, Article 3.
[75] *Ibid*, Article 4.
[76] *Ibid,* Article 5.
[77] 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 (Audiovisual Media Services Directive), Article 9(d).
[78] *Ibid*, Article 10(2).
[79] *Ibid*, Article 11(4)(a).

> '[Member States should] adopt appropriate legislative and/or administrative measures to prohibit, in accordance with national constitutions or constitutional principles, the following forms of advertising and promotion: (a) the use of tobacco brand names on non-tobacco products or services, (b) the use of promotional items (ashtrays, lighters, parasols, etc.) and tobacco samples, (c) the use and communication of sales promotion, such as a discount, a free gift, a premium or an opportunity to participate in a promotional contest or game, (d) the use of billboards, posters and other indoor or outdoor advertising techniques (such as advertising on tobacco vending machines), (e) the use of advertising in cinemas, and (f) any other forms of advertising, sponsorship or practices directly or indirectly addressed to promote tobacco products.'[80]

The prohibition of advertising, promotion and sponsorship of tobacco products was the first step of tobacco control. Tobacco plain packaging legislation, as the latest development in tobacco control, empowers the provisions of these measures. While these measures are in place to prohibit advertising and promotion of tobacco products in general, tobacco plain packaging legislation aims to prohibit the advertising and promotion of tobacco products on the face of the tobacco packaging in particular. The adoption of tobacco plain packaging legislation in addition to these measures reinforces the objective of limiting the power of attraction of trade marks.[81] This is achieved by the standardisation of tobacco packaging and the prohibition of figurative trade marks since, as is further explained in chapter six, trade marks play a central role in

[80] Council Recommendation of 2 December 2002 on the prevention of smoking and on initiatives to improve tobacco control (2003/54/EC), 2.

[81] See F. Schechter, 'The Rational Basis of Trademark Protection' 40 Harv.L.Rev. 1927, 816 and T. D. Drescher, 'The Transformation and Evolution of Trademarks – From Signals to Symbols to Myth' 82 Trademark Rep. 301 1992, 339.

advertising.[82] In addition to measures preventing the advertising and promotion of tobacco products, other policy measures followed.

2.2.2 Health Warnings

The Directives that dealt with the warnings that should appear on the packaging of tobacco products required that two written warnings should appear on each packet. The most visible part of the packaging should contain a general warning and a less visible part of the packaging should contain a second warning. These warnings were updated in the following three Directives. The Labelling of Tobacco Products Directive 1989 harmonised for the first time the health warnings that should appear on the tobacco packaging.[83] This Directive provided that every tobacco packaging must carry the following general warning: 'Tobacco seriously damages health.'[84] In addition to this, all Member States should draw up a list of warnings for a second warning from the following list to appear at the back of the packaging:

A. Warnings which must be included on the national lists:

1. Smoking causes cancer.

2. Smoking causes heart disease.

B. Warnings from amongst which Member States may choose:

1. Smoking causes fatal diseases.

2. Smoking kills.

3. Smoking can kill.

4. Smoking when pregnant harms your baby.

5. Protect children: don't make them breathe your smoke.

6. Smoking damages the health of those around you.

[82] See L. De Chernatony et al., *Creating Powerful Brands* (Butterworth Heinemann, 1992) 144.
[83] Council Directive 89/622/EEC of 13 November 1989 on the Approximation of the Laws, Regulations and Administrative Provisions of the Member States Concerning the Labelling of Tobacco Products, Article 1.
[84] *Ibid*, Article 4.

7. Stopping smoking reduces the risk of serious disease.

8. Smoking causes cancer, chronic bronchitis and other chest diseases.

9. More than (...) people die each year in (name of the country) from lung cancer.

10. Every year, (...) people are killed in road accidents in (name of the country) — (...) times more die from their addiction to smoking.

11. Every year, addiction to smoking claims more victims than road accidents.

12. Smokers die younger.

13. Don't smoke if you want to stay healthy.

14. Save money: stop smoking.[85]

The Tobacco Products Directive 2001 changed the general warning to 'Smoking Kills/Smoking can kill' or 'Smoking seriously harms you and others around you'.[86] Furthermore it updated the list of warnings the Member States could choose from:

1. Smokers die younger.

2. Smoking clogs the arteries and causes heart attacks and strokes.

3. Smoking causes fatal lung cancer.

4. Smoking when pregnant harms your baby.

5. Protect children: don't make them breathe your smoke.

6. Your doctor or your pharmacist can help you stop smoking.

7. Smoking is highly addictive, don't start.

8. Stopping smoking reduces the risk of fatal heart and lung diseases.

9. Smoking can cause a slow and painful death.

[85] *Ibid*, Annex.

[86] Directive 2001/37/EC of the European Parliament and of the Council of 5 June 2001 on the approximation of the laws, regulations and administrative provisions of the Member States concerning the manufacture, presentation and sale of tobacco products, Article 5(2)(a).

10. Get help to stop smoking: (telephone/postal address/internet address/consult your doctor/pharmacist).

11. Smoking may reduce the blood flow and causes impotence.

12. Smoking causes ageing of the skin.

13. Smoking can damage the sperm and decreases fertility.

14. Smoke contains benzene, nitrosamines, formaldehyde and hydrogen cyanide.[87]

The list of additional health warnings was changed for a third time under the Tobacco Products Directive 2012. This list is repeated in the Tobacco Products Directive 2014.[88] The new list contained the following warnings:

(1) Smoking causes 9 out of 10 lung cancers.

(2) Smoking causes mouth and throat cancer.

(3) Smoking damages your lungs.

(4) Smoking causes heart attacks.

(5) Smoking causes strokes and disability.

(6) Smoking clogs your arteries.

(7) Smoking increases the risk of blindness.

(8) Smoking damages your teeth and gums.

(9) Smoking can kill your unborn child.

(10) Your smoke harms your children, family and friends.

(11) Smokers' children are more likely to start smoking.

(12) Quit smoking – stay alive for those close to you.

(13) Smoking reduces fertility.

(14) Smoking increases the risk of impotence.[89]

[87] *Ibid*, Annex 1.

[88] Directive 2014/40/EU of the European Parliament and of the Council of 3 April 2014 on the approximation of the laws, regulations and administrative provisions of the Member States concerning the manufacture, presentation and sale of tobacco and related products and repealing Directive 2001/37/EC (Tobacco Products Directive), Annex 1.

In addition to these written warnings, the Tobacco Products Directive 2001 directed the Commission to harmonise image warnings to be used by the Member States that they decide to use them in combination with the written health warnings[90] and the Commission established these rules in 2003.[91] The Tobacco Products Directive 2014 requires that all tobacco packaging in all Member States must have combined warnings (i.e. picture and written warnings).[92] These warnings must be rotated on an annual basis.[93] For the complete list of the combined health warnings see Figure 2 in Appendix.

2.2.3 Product Presentation

The Tobacco Products Directive 2014, in addition to the aforementioned written and image warnings, set specific rules in relation to tobacco product presentation. According to Article 13, the packaging of tobacco products must not include any element of features that do any of the following:

> (a) promotes a tobacco product or encourages its consumption by creating an erroneous impression about its characteristics, health effects, risks or emissions; labels shall not include any information about the nicotine, tar or carbon monoxide content of the tobacco product;
> (b) suggests that a particular tobacco product is less harmful than others [such as the words 'low-tar', 'light', 'ultra-light', 'mild', 'natural', 'organic', 'without additives', 'without flavours' or 'slim'][94] or aims to reduce the effect of some harmful components of smoke or has vitalising, energetic,

[89] Directive 2012/9/EU of 7 March 2012 amending Annex I to Directive 2001/37/EC of the European Parliament and of the Council on the approximation of the laws, regulations and administrative provisions of the Member States concerning the manufacture, presentation and sale of tobacco products, Annex 1.
[90] Directive 2001/37/EC (n. 86) Article 3.
[91] Commission Decision of 5 September 2003 on the Use of Colour Photographs or other Illustrations as Health Warnings on Tobacco Packages (notified under document number C (2003) 3184), Article 1.
[92] Tobacco Products Directive (n. 88) Article 10.
[93] *Ibid*, Article 10(2).
[94] *Ibid*, Recital 27.

healing, rejuvenating, natural, organic properties or has other health or lifestyle benefits;

(c) refers to taste, smell, any flavourings or other additives or the absence thereof;

(d) resembles a food or a cosmetic product;

(e) suggests that a certain tobacco product has improved biodegradability or other environmental advantages.[95]

In the prohibited 'elements or features', any 'texts, symbols, names, trademarks, figurative or other signs' are included. In other words, the Directive rules that any trade marks that encourage the consumption of tobacco products must not appear on the tobacco packaging. Tobacco plain packaging reinforces the objectives of these regulations with the standardisation of tobacco packaging and the prohibition of figurative trade marks since, as further discussed in chapter six, all trade marks have the potential to act as tools that promote and encourage consumption.[96]

2.2.4 Maximum Tar Yield of Cigarettes

The EU regulates the maximum tar yield of cigarettes by taking into account the health damage caused by tar. The Maximum Tar Yield of Cigarettes 1990 limited the maximum level to '15 mg per cigarette as from 31 December 1992, and 12 mg per cigarette as from 31 December 1997.'[97] Furthermore, in 2001 the Tobacco Products Directive 2001 reduced the maximum tar yield limit of cigarettes to 10mg.[98]

[95] *Ibid*, Article 13.
[96] See J. Litman, 'Breakfast with Batman: The Public Interest in the Advertising Age' 108 *Yale L.J.* 1717 1998-1999, 1726.
[97] Council Directive 90/239/EEC of 17 May 1990 on the Approximation of the Laws, Regulations and Administrative Provisions of the Member States Concerning the Maximum Tar Yield Of Cigarettes, Article 2.
[98] Directive 2001/37/EC (n. 86) Article 3.

2.2.5 Excise Duty

Tobacco products are subject to excise duty. Under the Tobacco Taxes Directive 1992 all Member States must apply minimum consumption taxes to tobacco products. These taxes comprised of: 'a specific excise duty per unit of the product; (b) a proportional excise duty calculated on the basis of the maximum retail selling price; (c) a VAT proportional to the retail selling price.'[99] The Tobacco Taxes Directive 1995 specifies that 'the rate of the proportional excise duty and the amount of the specific excise duty must be the same for all cigarettes'.[100]

2.2.6 Tobacco Control Measures and Tobacco Plain Packaging Legislation

Tobacco plain packaging legislation is the latest development in tobacco control measures. Its prohibitive nature aims to reduce the attractiveness of tobacco products. It is necessary to consider the European tobacco control policy regulations that preceded tobacco plain packaging legislation in order to put its provisions into context. Furthermore, the fact that these regulations are in place in order to gradually achieve tobacco control policy objectives is important since this thesis argues that these objectives play a significant role in the justification of tobacco plain packaging legislation. Before examining the development of tobacco plain packaging legislation in the European Union, the next section examines the provisions of the World Health Organisation Framework Convention on Tobacco Control (FCTC), which encourage the adoption of a tobacco plain packaging legislation.

[99] Council Directive 92/79/EEC of 19 October 1992 on the Approximation of Taxes on Cigarettes, Article 1.
[100] Council Directive 95/59/EC of 27 November 1995 on Taxes Other Than Turnover Taxes Which Affect the Consumption of Manufactured Tobacco, Article 8.

2.3 The World Health Organisation Framework Convention on Tobacco Control

The FCTC was adopted in 2003 and currently has 168 signatory Countries, referred to as parties.[101] It was characterised as revolutionary as it marked the first time the WHO had exercised its treaty-making powers.[102] At the EU level, the negotiations for the drafting of the FCTC were mentioned in the Tobacco Products Directive 2001 for the first time,[103] and in 2004, the FCTC was approved by the Commission on behalf of the Community.[104]

The FCTC is a radical and creative measure against what it deems the 'drastic public health challenge' of a tobacco 'epidemic'.[105] Although the FCTC does not require the parties to adopt tobacco plain packaging legislation, it encourages stronger tobacco control, and indeed, to go beyond its requirements wherever possible for the sake of public health protection.[106] However, Article 11 of the FCTC directs the parties to adopt measures eliminating the promotional effects of the packaging of tobacco products:

> 'Each Party shall […] adopt and implement, in accordance with its national law, effective measures to ensure that tobacco product packaging and labelling do not promote a tobacco product by any means that are false, misleading, deceptive or likely to create an erroneous impression about its characteristics, health effects, hazards or emissions, including any term, descriptor, trademark, figurative or any other sign that directly or indirectly creates the false impression that a particular tobacco product is less harmful than other tobacco products.'[107]

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[101] World Health Organisation, http://www.who.int/fctc/signatories_parties/en/, as of July 2017.
[102] M. S. Kennedy, 'Australia's Tobacco Plain Packaging Act: Convergence of Public Health and Global Trade' 39 *N.C.J. Int'l L. & Com. Reg*. 591 2013-2014, 597.
[103] Directive 2001/37/EC (n. 86) Recital 13.
[104] Council Decision of 2 June 2004 Concerning the Conclusion of the WHO Framework Convention on Tobacco Control (2004/513/EC), Article 1.
[105] World Health Organisation, History of the WHO Framework Convention on Tobacco Control, 2009, 2, http://apps.who.int/iris/bitstream/10665/44244/1/9789241563925_eng.pdf, accessed 14 February 2018.
[106] WHO Framework Convention on Tobacco Control, Article 2.
[107] *Ibid*, Article 11.

Therefore, although it does not explicitly refer to the concept of tobacco plain packaging, the FCTC appears to encourage parties to adopt such measures.[108] Lannan argues that the World Health Organisation supports the TPP Act, as it is a step towards the elimination of the tobacco 'epidemic.'[109] In fact, in the guidelines for the implementation of Article 11 adopted at the third Conference of the FCTC parties in 2008, tobacco plain packaging legislation was strongly encouraged for consideration, on the grounds that such a strategy 'may increase the noticeability and effectiveness of health warnings and messages, prevent the package from detracting attention from them, and address industry package design techniques that may suggest that some products are less harmful than others.'[110] The same guidelines stress that in cases where tobacco plain packaging legislation is not implemented, the parties must be sure to adopt measures banning advertising, promotion and sponsorship of tobacco products.[111] Accordingly, the next section examines the genesis of the concept of tobacco plain packaging in Canada, its first legal adoption by Australia, and its role as a policy measure in the European Union.

2.4 Tobacco Plain Packaging Legislation as the Latest Development of Tobacco Control

Although tobacco plain packaging legislation is the latest development in tobacco control, its concept has been discussed over the last thirty years. In order to understand the roots of tobacco plain packaging legislation, this section examines its conception in Canada, its first adoption in Australia and its role as a policy measure in the European

[108] See J. Chung-Hall et al., 'Impact of the WHO FCTC over The First Decade: A Global Evidence Review Prepared For The Impact Assessment Expert Group' Tob Control 2018 0:1–10.
[109] K. Lannan, 'The WHO Framework Convention on Tobacco Control: The International Context for Plain Packaging' in *Public Health and Plain Packaging of Cigarettes: Legal Issues* (Edward Elgar, 2012) 12.
[110] World Health Organisation, 'Guidelines for Implementation of Article 13 of the WHO Framework Convention on Tobacco Control (Packaging and Labelling of Tobacco Products), Conference of the Parties', 2008, 17.
[111] *Ibid*, see also S. F. Halabi, 'The World Health Organization's Framework Convention on Tobacco Control: An Analysis of Guidelines Adopted by the Conference of the Parties' 39 *Ga. J. Int'l & Comp. L.* 121 2010-2011.

Union. Furthermore, although tobacco plain packaging legislation has been adopted in a number of European Union countries, this section references tobacco plain packaging regulations implemented in the UK as was the first EU country to adopt it.

2.4.1 Tobacco Plain Packaging Legislation in Canada

Although Australia was the first area to introduce a tobacco plain packaging legislation, the concept was conceived in Canada. Dr Gerry Karr, at the Canadian Medical Association annual general meeting in June 1986, highlighted that tobacco use is the most preventable and financially-draining issue public health faces and proposed that in order to reduce smoking levels, tobacco products should be sold in plain brown wrappers.[112] His suggestion was that tobacco packaging should only consist of the word mark and a health warning in letters of equal size.

In 1988, David Sweanor, a Canadian tobacco control activist, recommended this proposal to politicians.[113] A few years later, in 1994, the Canadian legislature considered the implementation of tobacco plain packaging legislation and although a hearing took place, it was unsuccessful.[114] At that time, the Canadian Standing Committee on Health suggested that tobacco plain packaging legislation would constitute a disproportionate level of tobacco control. The Committee concluded that a tobacco plain packaging legislation does not appear to be 'an effective way to reduce the consumption of tobacco products'.[115]

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[112] The Journal, October 1, 1986, 15: (10) 5, https://www.industrydocumentslibrary.ucsf.edu/tobacco/docs/#id=hmxn0198, accessed 1 February 2018, 2, see also 'Packaging Phoney Intellectual Property Claims' *Physicians for Smoke-Free Canada* June 2009, 8.

[113] Chapman (n. 45) 1.

[114] The Standing Committee on Health, 'Towards Zero Consumption: Generic Packaging of Tobacco Products' Canada 31.10 1996.

[115] *Ibid*, 56.

It is argued that this was evidence of the 'financial, political and legal muscles' of the tobacco industry's lobbying power.[116] Despite spending enormous amounts of money every year on the promotion of their product, including the development of attractive packaging,[117] the tobacco industry claimed that tobacco plain packaging legislation would not affect the tobacco-related habits of smokers.[118] Although this 'disingenuous' lobbying continues today,[119] Canada has passed legislation that enables the implementation of tobacco plain packaging regulations.[120]

In conclusion, the objective of tobacco plain packaging was to preserve public health by reducing the attractiveness of tobacco packaging. In order to achieve this, tobacco plain packaging limits the advertising function of tobacco trade marks. It is important to note here that the fact that Dr Gerry Karr argued that tobacco products should be sold in plain brown wrappers underlines the fact that the concept behind tobacco plain packaging legislation is solely the standardisation of word marks and the prohibition of figurative trade marks. The presence of health warnings is a separate tobacco control measure, as described above. The next section examines the first implementation of tobacco plain packaging legislation in Australia.

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[116] Howells (n. 47) 6. For a thorough analysis on the lobbying in Canada during these years see C. Gray, 'The Tobacco Industry Provides a Lesson in Effective Lobbying' *CMAJ* 1989 Aug 15 141(4) 321. See also M. Stoklosa 'Is The Illicit Cigarette Market Really Growing? The Tobacco Industry's Misleading Math Trick' *Tob Control* 2016;25:360–361.

[117] M. Wakefield et al., 'The Cigarette Pack as Image: New Evidence from Tobacco Industry Documents' *Tobacco Control* 2002 i73-i80, i75. See also, D. Schneiderman, 'Nafta's Takings Rule: American Constitutionalism Comes to Canada' 46 U. Toronto L.J. 499 1996, 524.

[118] Schneiderman, *ibid*, 524. See also J. Smith, 'Protecting The Plain Packaging Consultation From Tobacco Industry Interference' *CMAJ*, October 4, 2016, 188(14).

[119] According to Christopher Snowdon in 'Plain Packaging: Commercial Expression, Anti-Smoking Extremism and the Risks of Hyper-Regulation' https://www.adamsmith.org/research/plain-packaging, 12, accessed 12 June 2018, 'cigarette packs do not provide information, they do not make claims and they do not seek to persuade'. For an analysis of lobbying in relation to tobacco plain packaging legislation under the prism of political economy see L. Curran, 'Smoke screen? The globalization of Production, Transnational Lobbying and the International Political Economy of Plain Tobacco Packaging' *Review of International Political Economy* Volume 24 (2017) Issue 1 87-118.

[120] See Statutes Of Canada 2018, Chapter 9, An Act to amend the Tobacco Act and the Non-smokers' Health Act and to make consequential amendments to other Acts, First Session, Forty-second Parliament, 64-65-66-67 Elizabeth II, 2015-2016-2017-2018, BILL S-5, 25.

2.4.2 The Australian Plain Packaging Act 2011

Like Canada, Australia began considering tobacco plain packaging legislation in the early 90s. The first time it was raised by the Australian Government was in 1992, when the Australian Ministerial Council on Drug Strategy asked for a report on tobacco plain packaging legislation.[121] However, due to the combination of powerful lobbying and the unknown legal implications of tobacco plain packaging legislation, it took a further two decades for Australia to proceed with passing it. The first implementation of any tobacco plain packaging legislation worldwide was the Australian Tobacco Plain Packaging Act 2011. This is unsurprising, given Australia's reputation as a leading force in tobacco control legislations.[122]

The main aim of the TPP Act is to discourage the use of tobacco products.[123] According to the TPP Act, tobacco manufacturers must comply with the standardised appearance of tobacco products.[124] No embellishments, marks, or trade marks may appear on the packaging of tobacco products or the products themselves. However, the brand, business or company name and the variant name are allowed on the lower part of the packaging.[125] These must comply with the standardised appearance described in the Australian Tobacco Plain Packaging Regulations 2011:

> 'Any brand, business or company name, or any variant name, appearing on cigarette packs or cigarette cartons must be printed: (a) in the typeface known as Lucida Sans; and (b) for a brand, business or company name — no larger than 14 points in size; and (c) for a variant name — no larger than 10 points in size; and (d) with the first letter in each word capitalised and

[121] Moodie (n. 58) 2.
[122] J. Liberman, 'Plainly Constitutional: The Upholding of Plain Tobacco Packaging by the High Court of Australia' 39 *Am. J.L. & Med.* 361 2013, 362.
[123] Australian Tobacco Plain Packaging Act, page 1.
[124] See Figure 1 in Appendix.
[125] *Ibid*, S. 20, S. 21, S. 26, S. 21.

with no other upper case letters; and (e) in a normal weighted regular font; and (f) in the colour known as Pantone Cool Gray 2C.'[126]

According to the TPP Act, these measures aim to reduce the appeal of tobacco products, increase the effectiveness of health warnings and prevent packaging from transmitting misleading information.[127] It is, however, not within the objectives of this thesis to analyse whether the TPP Act has succeeded in these aims. This thesis is concerned solely with analysing the importance of tobacco control and the functions of trade marks in the justification of tobacco plain packaging legislation, and in examining its effects on trade mark law.

The TPP Act constitutes the first implementation of the concept behind tobacco plain packaging legislation. It reflects the way Dr Gerry Karr suggested tobacco products should be sold and defines the specifics of the standardisation of the appearance of tobacco products. In essence, the TPP Act is the first legislation which limits the use of trade marks on tobacco products in order to preserve public health. As this thesis argues in the following chapters, the tobacco control policy objectives, considered in light of how trade marks function, justify this legislation. The next section examines the consideration of tobacco plain packaging legislation in the European Union.

2.4.3 Tobacco Plain Packaging in the European Union and the UK's Children and Families Act 2014

The discussion of tobacco plain packaging legislation in the European Union began relatively recently. The first control measure similar to tobacco plain packaging legislation was discussed in 2007, when the Commission considered a black and white plain packaging option:

[126] Australian Tobacco Plain Packaging Regulations 2011, 2.4.1.
[127] Australian Tobacco Plain Packaging Act, S. 3(2).

> 'In order to decrease the smoking initiation and to protect EU consumers on equal basis in all Member States the introduction of generic (black & white) standardised packaging for all tobacco products could be explored as a possibility to reduce the attractiveness.'[128]

In 2009, the Finnish Minister of Health and Social Services Paula Risikko recommended the introduction of tobacco plain packaging legislation at EU level to the then Commissioner for Health Androulla Vassiliou.[129] In the same year, the European Council invited the Commission to 'analyse the legal issues and the evidence base for the impact of plain packaging, including on the functioning of the internal market.'[130] Consequently, the Commission published an Impact Assessment in 2012 assessing the effects of tobacco plain packaging legislation as a policy option. In that document, the following definition as given:

> 'Plain packaging – full standardisation of the packages, including brand and product names printed in a mandated size, font and colour on a given place of the package; standardised package colour; standardised size and appearance of the package; display of required (textual and pictorial) health warnings and other legally mandated product information, such as tax-paid stamps and marking for traceability and security purposes.'[131]

[128] Report from the Commission to the European Parliament, The Council and the European Economic and Social Committee, Second Report on the Application of the Tobacco Products Directive, Brussels, 27.11.2007, COM (2007) 754 final, 11.
[129] Ministry of Social Affairs and Health, 'Minister Risikko Conveyed a Letter Regarding Plain Packaging of Tobacco Products to EU Commissioner for Health', 12th October 2009, http://stm.fi/en/artikke http://stm.fi/en/artikkeli/-/asset_publisher/minister-risikko-conveyed-a-letter-regarding-plain-packaging-of-tobacco-products-to-eu-commissioner-for-health, accessed 23 June 2018.
[130] Council Recommendation 2009/C 296/02 of 30 November 2009 on Smoke-Free Environments, 3.
[131] European Commission, 'Impact Assessment accompanying the Proposal for a Directive of the European Parliament and of the Council on the approximation of laws, regulations and administrative provisions of the Member States concerning the manufacture, presentation and sale of tobacco and related products', Brussels, 19.12.2012, Glossary of terms.

In the impact assessment undertaken by the Commission in 2012, three options are explained in relation to the Tobacco Directive, which allows the Member States to implement plain tobacco packaging legislation. The first was to regulate the size of the picture warnings on the tobacco packaging, while the second proposed to add to this the requirement to 'harmonise certain aspects of packets and prohibit promotional and misleading elements'.[132] The third option proposed the first two, in addition to full plain packaging requirements at a European Union level.

While the full exploration of these options falls outside the scope of this chapter, it is pertinent to mention the views of the Commission in relation to the 'third option' proposed; the tobacco plain packaging option. It should be stressed that the discussion of this option was only regarding the plain packaging aspect of the third option, or in other words, the presence and presentation of trade marks. It was stated that a full plain packaging legislation would be beneficial for the internal market since it would bridge any discrepancies in current national laws.[133] Besides the effects on the internal market, the interests of the economic stakeholders, tobacco manufacturers, and retailers were taken into account, as well as the interests of consumers and the impact on society and public health. The impact assessment concluded that although tobacco plain packaging legislation is fully in line with the FCTC guidelines, the homogeneity of appearance would affect tobacco brands:

> '[I]t is expected that plain packaging would result in reduced possibilities of brand differentiation, affecting in particular high margin/premium brands which could, over time, result in price competition and commoditisation of the market. Whilst it would be very difficult to establish new premium brands, entry barriers for non-branded products would be lowered.'[134]

[132] *Ibid*, 87 & 91.
[133] *Ibid*, 93.
[134] *Ibid*, 92.

Taking these arguments into account, the Commission elected to follow the second option; the harmonisation of certain aspects of tobacco packaging and factory-manufactured cigarettes, prohibiting promotional and misleading elements and enforcing mandatory enlarged picture warnings. Although the Commission acknowledged that the second option would facilitate the benefits of plain packaging legislation to a lesser extent, it was still decided that it should be followed. This was due to 'lack of real life experience' of whether plain packaging legislation would reduce smoking levels, the 'pending legal disputes' in relation to the TPP Act, and the concerns of some stake holders that with plain packaging legislation, illicit trade would increase.[135]

Nonetheless, although the current Tobacco Products Directive 2014 does not require tobacco plain packaging to be adopted wholesale, it explicitly allows the Member States to follow such a policy option:

> 'This Directive shall not affect the right of a Member State to maintain or introduce further requirements, applicable to all products placed on its market, in relation to the standardisation of the packaging of tobacco products, where it is justified on grounds of public health, taking into account the high level of protection of human health achieved through this Directive.'[136]

In addition, the Directive stresses that further standardisation of tobacco packaging must be compatible with the TFEU and with WTO obligations, and does not affect the full application of this Directive.[137] With this provision in place the European Union allows the Member States to proceed with further standardisation of tobacco

[135] *Ibid*, 94.
[136] Tobacco Products Directive (n. 88) Article 24.
[137] *Ibid*, Recital 53.

packaging. The first country to implement tobacco plain packaging in the European Union, and the second country after Australia, is therefore the United Kingdom.[138]

After a series of public consultations, and in order to emphasise the health impact on children, the United Kingdom adopted tobacco plain packaging legislation under the Children and Families Act 2014.[139] This Act states that '[t]he Secretary of State may by regulations make provision imposing prohibitions, requirements or limitations relating to the markings on tobacco products (including the use of branding, trademarks or logos)'[140] in such circumstances when 'the Secretary of State considers that the regulations may contribute at any time to reducing the risk of harm to, or promoting, the health or welfare of people under the age of 18.'[141] According to The Standardised Packaging of Tobacco Products Regulations 2015, the text which states the 'brand and variant' name should follow these specific conditions:

> (1) The external packaging of a unit packet or container packet of cigarettes may have text printed on it which states the brand name and variant name of the cigarettes but only if each of the following conditions is met.
> (2) Those conditions are—
> (a) that the text does not contain any character which is not alphabetic, numeric or an ampersand,
> (b) that the first letter of any word is in upper-case type or lower-case type,

[138] Tobacco plain packaging is implemented in Australia, Hungary, Ireland, France, New Zealand, Norway and the United Kingdom and although passed is not yet implemented in Burkina Faso, Canada, Georgia, Romania, Slovenia and Thailand. It is also under formal consideration in Sweden, Finland, Singapore, Belgium, and South Africa. See Tobacco Labelling Resource Centre with the support of the Framework Convention Alliance, http://www.tobaccolabels.ca/plain-packaging/, accessed 18 May 2018 and World Trade Organisation, http://www.who.int/tobacco/wto-panel-rejects-claims-tobacco-plain-packaging-australia/en/, accessed 28 June 2018.
[139] Consultation on Standardised Packaging of Tobacco Products: Summary report, Department of Health Tobacco Programme, July 2013; Consultation on the Introduction of Regulations for Standardised Packaging of Tobacco Products Summary report, Department of Health Tobacco Programme, February 2015; see also Report of the independent review undertaken by Sir Cyril Chantler, April 2014.
[140] Children and Families Act 2014, S. 94(8)(a).
[141] *Ibid*, S. 94(1).

(c) that the rest of any word is in lower-case type,

(d) that the text is printed in Helvetica type,

(e) that the colour of the text is Pantone Cool Gray 2 C with a matt finish,

(f) that the text is in a normal, weighted, regular typeface,

(g) that the brand name does not take up more than one line,

(h) that the variant name does not take up more than one line,

(i) that the variant name appears immediately below the brand name and has the same orientation as it,

(j) that the size of the brand name is no larger than 14 point,

(k) that the size of the variant name is no larger than 10 point,

(l) that the brand name and variant name may appear only, and not more than once, on each of the following surfaces—

(i) the front surface of the unit packet or container packet,

(ii) one of the smallest surfaces of the packet, and

(iii) the other smallest surface of the packet,

(m) that the brand name and variant name are located at the centre of any such surface or, where such a surface contains a health warning, at the centre of the area of the surface not taken up by the health warning, and

(n) that the text on any surface which contains a health warning is orientated in accordance with the warning.[142]

In conclusion, the European Union allows the implementation of tobacco plain packaging legislation as a measure for the protection of public health. Since the European Union does not provide the specifics for a harmonised tobacco plain packaging legislation, when referring to the provisions of tobacco plain packaging legislation, this thesis refers to the way the tobacco packaging is regulated in Australia and the UK.[143] In essence, tobacco plain packaging legislation encompasses the standardisation of the tobacco packaging, the standardisation of the appearance of

[142] The Standardised Packaging of Tobacco Products Regulations 2015, No 829, Schedule 1(1).
[143] See Figure 1 in Appendix.

word marks as the 'brand and variant'[144] and the prohibition of any figurative trade marks. Furthermore, this thesis uses tobacco plain packaging as an analytical tool to examine the way trade marks are developed in the European Union. While being the latest development in tobacco control, tobacco plain packaging legislation recognises the ways in which trade marks function in the modern marketplace. Before examining the functions of trade marks in the following chapters, the next section examines the four main disputes that challenge the legality of the TPP Act.

2.5 Challenges to the Tobacco Plain Packaging Legislation

Following the implementation of tobacco plain packaging legislation in Australia, disputes of two kinds arose challenging its legality; an investment claim, and claims in relation to Australia's obligations under the WTO. Both these claims uphold the TTP Act giving the green light to other jurisdictions to adopt a plain packaging legislation without casting doubt on whether they violate their international obligations. Furthermore, in both Australia and the UK, the tobacco industry claimed that the provisions of tobacco plain packaging legislation amount to an expropriation of their properties and that they should receive compensation. For the reasons explained below, these claims were unsuccessful and no compensation was given. These claims, and the claims made by the tobacco industry in the judicial review procedure against tobacco plain packaging legislation,[145] are explained in turn.

2.5.1 Investment Claim

In 2011, Philip Morris Asia (PMA) started proceedings challenging the Australian Tobacco Plain Packaging Act 2011 under the Australia Hong Kong Bilateral Investment

[144] The 'brand and variant' refers to the two lines of information allowed by tobacco plain packaging legislation to be appeared on tobacco packaging.
[145] See *R. (on the application of British American Tobacco (UK) Ltd) and Others v Secretary of State for Health*, [2016] E.T.M.R. 38.

Agreement.[146] They used their right as private investors to bring their own claim against Australia arguing that the Act breaches the provisions of the Agreement.[147] In response to this claim, the Australian Government argued that PMA invested in Australia despite the fact that on 29 April 2010 the Government announced its decision to implement tobacco plain packaging:

> 'PM Asia acquired its shares in PM Australia on 23 February 2011, both in full knowledge that the decision had been announced by the Australian Government to introduce plain packaging, and also in circumstances where various other members of the Philip Morris group had repeatedly made clear their objections to the plain packaging legislation, whereas such objections had not been accepted by the Australian Government.'[148]

In 2015, the Arbitral Tribunal decided that PMA's claims were inadmissible and it had no jurisdiction over this dispute.[149] Furthermore, the Tribunal criticised PMA for abuse of rights:

> '[T]he initiation of this arbitration constitutes an abuse of rights, as the corporate restructuring by which the Claimant acquired the Australian subsidiaries occurred at a time when there was a reasonable prospect that

[146] Agreement between the Government of Hong Kong and the Government of Australia for the Promotion and Protection of Investments, opened for signature Sep. 15, 1993, [1993] ATS 30, Art. 10 (entered into force Oct. 15, 1993).

[147] See A. Mitchell et al., 'Boxed In? Australia's Plain Tobacco Packaging Initiative and International Investment Law' *The Journal of the London Court of International Arbitration* 27(4) 2011.

[148] Australia's response to the notice of Arbitration, 6, https://www.ag.gov.au/Internationalrelations/InternationalLaw/Documents/Australias%20Response%20to%20the%20Notice%20of%20Arbitration%2021%20December%202011.pd, accessed 24 April 2018.

[149] PCA Case NO. 2012-12, In the matter of an arbitration before a tribunal constituted in accordance with the Agreement between the government of Hong Kong and the Government of Australia for the promotion and protection of investments, signed on 15 September 1993 and the United Nations Commission on International Trade Law Rules of Arbitration as revised in 2010 between Philip Morris Asia Limited and the Commonwealth of Australia, Award on jurisdiction and admissibility, 17 December 2015.

the dispute would materialise and as it was carried out for the principal, if not sole, purpose of gaining Treaty protection.'[150]

Therefore, although the 'value and utility for assignment and licensing' of trade marks is 'substantially impaired',[151] PMA did not have a 'legitimate expectation' that tobacco plain packaging would not go through in Australia.[152] It is argued that the result of this arbitration procedure would set a significant precedent considering the scope of tobacco plain packaging legislation by future tribunals.[153] Finally, in 2017 the Tribunal decided on the Final Award Regarding Costs.[154] Although the final amount of the costs awarded to Australia was kept secret, Australian media reported that it was around 50 million Australian Dollars.[155]

2.5.2 Claims under the World Trade Organisation

Indonesia,[156] Honduras,[157] the Dominican Republic,[158] and Cuba[159] (the complainants) had started proceedings under WTO claiming, inter alia, that the Australian Tobacco

[150] *Ibid*, 588.
[151] Per Gummow J, *JT International SA v Commonwealth of Australia* [2012] HCA 43.
[152] T. Voon et al., 'Implications of International Investment Law for Plain Packaging: Lessons From the Hong Kong-Australia BIT' in *Public Health and Plain Packaging of Cigarettes: Legal Issues* (Edward Elgar, 2012) 158.
[153] J. G. Olmedo, 'The Use of Tobacco Trademarks Versus Public Health: A New Trend in Investor-State Arbitration' *Int. A.L.R.* 2012 15(2) 42-50, 42.
[154] PCA Case NO. 2012-12 (n. 149) Final Award Regarding Costs, 8 July 2017.
[155] A. Gartrell, 'Philip Morris Ordered to Pay Australia Millions in Costs for Plain Packaging Case', Sunday Morning Herald, 9th July 2017, http://www.smh.com.au/federal-politics/political-news/philip-morris-ordered-to-pay-australia-millions-in-costs-for-plain-packaging-case-20170709-gx7mv5.html, accessed 18 June 2018.
[156] World Trade Organization, 'Australia — Certain Measures Concerning Trademarks, Geographical Indications and Other Plain Packaging Requirements Applicable to Tobacco Products and Packaging', 5th May 2014, https://www.wto.org/english/tratop_e/dispu_e/cases_e/ds467_e.htm, accessed 18 June 2018.
[157] World Trade Organization, 'Australia — Certain Measures Concerning Trademarks, Geographical Indications and Other Plain Packaging Requirements Applicable to Tobacco Products and Packaging', 5th May 2014, https://www.wto.org/english/tratop_e/dispu_e/cases_e/ds435_e.htm, accessed 18 June 2018.
[158] World Trade Organization, 'Australia — Certain Measures Concerning Trademarks, Geographical Indications and Other Plain Packaging Requirements Applicable to Tobacco Products and Packaging', 5th

Plain Packaging Act 2011 contradicts provisions of the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS Agreement) of 1994.[160] The Panels established for these dispute settlements concluded that the four complainants have not demonstrated that the measures under Australian Plain Packaging Act 2011 are inconsistent with Australia's obligations under any provision of the TRIPS Agreement.[161] However, these disputes raised academic debate in relation to whether the provisions of the TPP Act amount to an unjustifiable encumbrance of trade mark rights and in relation to the nature of rights conferred by a trade mark. These two issues are examined in turn.[162]

2.5.2.1 The Provisions of Tobacco Plain Packaging Legislation as a Justifiable Encumbrance of the Use of a Trade Mark

The complainants argued that the provisions of the TPP Act violate Article 20 of the TRIPS Agreement. Under Article 20, trade mark use must not be 'unjustifiably encumbered by special requirements such as use with another trademark, use in a special form or use in a manner detrimental to its capability to distinguish the goods or services of one undertaking from those of other undertakings'. Kur underlines that the

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May 2014, https://www.wto.org/english/tratop_e/dispu_e/cases_e/ds441_e.htm, accessed 18 June 2018.

[159] World Trade Organization, 'Australia — Certain Measures Concerning Trademarks, Geographical Indications and Other Plain Packaging Requirements Applicable to Tobacco Products and Packaging', 5th May 2014, https://www.wto.org/english/tratop_e/dispu_e/cases_e/ds458_e.htm, accessed 18 June 2018.

[160] In summary, the four complainant Countries have claimed that the measures under Australian Plain Packaging Act 2011 are inconsistent with Australia's obligations under Articles 2.1, 15.4, 16.1, 16.3, 20, 22.2(b) and 24.3 of the TRIPS Agreement.

[161] World Trade Organization, 'Australia – Certain Measures Concerning Trademarks, Geographical Indications And Other Plain Packaging Requirements Applicable To Tobacco Products And Packaging - Reports Of The Panels', WT/DS435/R, WT/DS441/R WT/DS458/R, WT/DS467/R 28 June 2018 (18-4061). According to Reuters, the WTO uphold the Australian Tobacco Plain Packaging Act 2011 on the 4th May 2017, see T. Miles et al., 'Australia Wins Landmark WTO Tobacco Packaging Case - Bloomberg', 4th May 2017, https://uk.reuters.com/article/us-wto-tobacco-australia/australia-wins-landmark-wto-tobacco-packaging-case-bloomberg-idUKKBN1801S9, accessed 18 June 2018.

[162] According to Reuters, Honduras has filed an appeal against the WTO ruling discussed in this section. See Reuters, https://www.reuters.com/article/us-wto-tobacco-honduras/honduras-appeals-wto-landmark-ruling-on-australias-plain-tobacco-packaging-idUSKBN1KA1T5, accessed 28 July 2018.

provision in Article 20 is an 'acknowledgement of the enormous economic importance which free and unencumbered trade mark use has in practise'.[163] Furthermore, Davison explains that Article 20 facilitates the consideration of all the relevant balancing factors:

> 'The inclusion of the concept of justifiability introduces into the interpretation and application of Article 20 precisely the sort of balancing act that is involved in considering the interplay between rights, privileges, and legitimate interests of different parties. It is a clear statement that the legitimate interests of the State are important and are to be considered along with whatever legitimate interest of trademark owners that Article 20 provides are important for the purposes of defining the relationship between those owners and the State.'[164]

Therefore, all the relevant interests must be taken into account to conclude whether an encumbrance is justifiable or not. On the one hand, Voon argues that the objectives of the Australian government to protect the public health against the tobacco pandemic justify the encumbrance of the use of trade marks under the TPP Act.[165] Along the same lines, Mitchell argues that the promotion of public health has the power to justify such encumbrance.[166]

On the other hand, the Gervais report argues that the standardisation of the way word marks are written is an unjustifiable encumbrance.[167] It explains that the Australian Tobacco Plain Packaging Act 2011 violates Article 20 of the TRIPS Agreement and

[163] A. Kur, 'The Right to Use One's Own Trade Mark: A Self Evident Issue or a New Concept in German, European and International Trade Mark Law?' *E.I.P.R.* 1996 18(4), 202.
[164] M. Davison et al., 'Rights, Privileges, Legitimate Interest, and Justifiability: Article 20 of TRIPS and Plain Packaging of Tobacco' 29 *Am. U. Int'l L. Rev.* 505 2013-2014, 567.
[165] T. Voon et al., 'Implications of WTO Law for plain Packaging Of Tobacco Products' in *Public Health and Plain Packaging of Cigarettes: Legal Issues* (Edward Elgar, 2012) 136.
[166] Mitchell (n. 46) 419.
[167] D. Gervais, 'Analysis of the Compatibility of Certain Tobacco Product Packaging Rules with the TRIPS Agreement and the Paris Convention' prepared for Japan Tobacco International 2010, 33.

therefore it cannot 'achieve its legitimate public policy objectives'.[168] While the Gervais report gave few arguments regarding why tobacco plan packaging legislation should be considered as an unjustifiable encumbrance of trade mark rights, Johnson explains that the European Commission could support this argument.[169] According to the European Commission, market investigation shows that the information provided by trade marks on tobacco packaging is essential for effective competition in the tobacco market:

> 'Given the advertising bans and restrictions imposed on promoting of tobacco products, the brand is the key communicator with the final customer. In the absence of traditional marketing, and considering the regulated nature of the tobacco distribution together with a very low degree of technical innovations of the products, the access to IP (brand) and know-how (mainly related to blend composition) are most important factors for the ability to compete effectively on the these markets.'[170]

Accordingly, as tobacco plain packaging legislation is the latest addition to the long list of provisions restricting the promotion of tobacco products, it is possible that it will affect competition in the tobacco market. This effect could form an argument for finding encumbrance under tobacco plain packaging unjustifiable. However, the European Union, in the arguments provided in relation to the dispute settlements against Australia, argued that Article 20 must be seen as a 'flexible tool' that can be appropriately interpreted in any particular case.[171] They further argued that the TRIPS

[168] *Ibid*, 115.
[169] Johnson (n. 60) 467.
[170] Commission of the European Communities, Case No Comp/M.4581, Imperial Tobacco/Altadis, Regulation (EC) No 139/2004, Merger Procedure, Article 6(2) Non-Opposition, Brussels, 18/10/2007, Recital 68.
[171] World Trade Organization, 'Australia – Certain Measures Concerning Trademarks, Geographical Indications And Other Plain Packaging Requirements Applicable To Tobacco Products And Packaging - Reports Of The Panels', WT/DS435/R, WT/DS441/R WT/DS458/R, WT/DS467/R 28 June 2018 (18-4061), Annex C-5, Executive Summary of The Arguments Of The European Union, 1.

Agreement 'provide a wide margin of discretion for setting up an intellectual property regime that is capable of responding to public health concerns.'[172]

In the report of the dispute settlements, the Panels concluded that although the provisions of the TPP Act encumber the use of a trademark in the course of trade,[173] the complainants have failed to demonstrate that this encumbrance is unjustifiable.[174] The Panels underlined that tobacco control aims to resolve an 'exceptionally grave domestic and global health problem involving a high level of preventable morbidity and mortality', and that the requirements of the TPP Act do contribute to Australia's tobacco control policy.[175] Furthermore, the Panels explained that the removal of the 'design features' on tobacco packaging will affect the appeal of tobacco products and enhance the effectiveness of the graphic health warnings, and that no alternative measure would have these results.[176] Therefore, the Panel found that the TTP Act is an essential development of Australia's tobacco control policies which complements pre-existing measures and reflects the provisions of the FCTC Guidelines.[177]

2.5.2.2 Nature of Rights Conferred by a Trade Mark

The dispute settlement proceedings on whether the TPP Act 2011 is inconsistent with Australia's obligations under the TRIPS Agreement created a debate in relation to the nature of rights conferred by a trade mark. In particular, the main question raised in the academic commentary is whether the TRIPS Agreement provides the proprietors of registered trade marks with a positive right to use their trade marks. Kur argues that the prohibition of the use of a rightfully registered trade mark is clearly at odds with the

[172] Ibid., 6.
[173] World Trade Organization (n. 161) 7.2292.
[174] Ibid., 7.2605.
[175] Ibid., 7.2592.
[176] Ibid., 7.2593 and 7.2598.
[177] Ibid., 7.2604.

spirit of the TRIPS Agreement.[178] She explains that 'the old and often contested theory that the right to a trade mark lacks a positive element – the right to use – is definitely claimed to be obsolete',[179] because the use of a trade mark creates an information channel which, by prohibiting the use of the trade mark, will become meaningless.[180] The lack of positive right renders trade mark rights as purely theoretical rights.[181]

However, the TRIPS agreement does not explicitly provide for positive rights. In particular, although Article 16 of the TRIPS Agreement confers the exclusive rights of trade marks uses, it does not refer to a positive right to use the trade mark. As Carvalho put it frankly, 'trade mark rights are rights to exclude, rather than to use'.[182] Frankel argues that since the use of trade marks in commerce is the basis for trade mark law,[183] trade mark proprietors have a legitimate right to use their signs:

> 'In an exclusion approach to property, the owner acts as a gatekeeper and may have the privilege to use the property without the exact details of the privilege necessarily being defined. The law does not give unrestricted control to any property owner, but just because rights to exclude define the property that does not mean there is not a right to use. There certainly seems to be a legitimate interest in using one's property. Terminological fog may be masking what is at bottom a fairly clear point. That point is that because the main parameters of trademark ownership are framed as rights

[178] Kur (n. 163).
[179] *Ibid*, 200.
[180] *Ibid*, 199. See also S. Frankel et al., 'Plain Packaging and the Interpretation of the TRIPS Agreement' 46 *Vand. J. Transnat'l L.* 1149 2013, 1192.
[181] Bonadio (n. 57) 608.
[182] N. P. de Carvalho, *The TRIPS Regime of Trademarks and Designs* (Kluwer Law International, 2014, Third Edition), 249.
[183] S. Frankel et al., 'Plain Packaging and the Interpretation of the TRIPS Agreement' 46 *Vand. J. Transnat'l L.* 1149 2013, 1181.

> to exclude does not mean that there are no legitimate interests relating to the property in question.'[184]

However, although there is a legitimate interest on the use of trade marks the TRIPS Agreement does not explicitly provide for positive rights.[185] Davison argues that the legitimate interest on the use of trade marks makes it a *privilege* to use the trade mark, and not a positive right:[186]

> 'A privilege (also known as a liberty) is not a right in this strict sense, but a legal permission to engage in conduct (or to refrain from engaging in that conduct). A person enjoys the privilege of doing something if no other person has a claim right that the first person not do that thing. The privilege of using a trademark could also be described as the absence of a claim right in anyone else to prevent use of that trademark.'[187]

He further explains that the fact that trade mark proprietors register trade marks in order to use them does not itself mean that governments have to allow such use.[188] In addition to this, Advocate General Geelhoed, in his Opinion on the validity of the Second Tobacco Products Directive, suggests that trade marks proprietors are not entitled 'to use a trademark unimpeded by provisions of public law'.[189] Indeed, Bonardio argues that, as a provision safeguarding public health, tobacco plain packaging legislation has the power to interfere with the use of trade marks.[190]

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[184] *Ibid*, 1192. See also S. Ricketson, 'Plain Packaging Legislation for Tobacco Products and Trade Marks in the High Court of Australia' 3 *Queen Mary J. Intell. Prop.* 224 2013., 238.
[185] See also J. Griffiths, '"On the Back of a Cigarette Packet": Standardised Packaging Legislation and the Tobacco Industry's Fundamental Right to (Intellectual) Property' *I.P.Q.* 2015, 4, 355.
[186] Davison (n. 164) 519.
[187] *Ibid*, 521. See also M. Davison, 'Plain Packaging of Tobacco and the "Right" to use a Trade Mark' *E.I.P.R.* 498 2012, 501.
[188] *Ibid*, 534.
[189] Per Geelhoed AG in *R. v Secretary of State for Health*, C-491/01, [2003] 1 C.M.L.R. 14, 266.
[190] Bonadio (n. 57) 603.

Mitchell, Alamano and Bonadio claim that, as a consequence, the provisions of tobacco plain packaging legislation do not breach the TRIPS Agreement, since the rights conferred to trade marks are negative rights.[191] In support of this argument, the Panel of the World Trade Organisation, in a Dispute Settlement in relation to Geographical Indications For Agricultural Products and Foodstuffs, stressed that generally the TRIPS Agreement provides negative rights:[192]

> '[T]he TRIPS Agreement does not generally provide for the grant of positive rights to exploit or use certain subject matter, but rather provides for the grant of negative rights to prevent certain acts. This fundamental feature of intellectual property protection inherently grants Members freedom to pursue legitimate public policy objectives since many measures to attain those public policy objectives lie outside the scope of intellectual property rights and do not require an exception under the TRIPS Agreement.'[193]

The same line of reasoning in relation to the nature of rights conferred by a trade mark was followed by the Panels in the dispute settlement about the TPP Act. The Panels concluded that while Article 16 confers the owner of a trade mark exclusive rights and protection against infringing uses of that trade mark, it does not establish a positive right to use the trade mark.[194] Although Kur suggested that the prohibition of the use of tobacco trade marks will come with unjustified, 'much too broad, far-reaching' consequences,[195] the Panels followed the view of several dissenters that the rights

[191] see Mitchell (n. 46) 416, A. Alamano et al., 'Plain Packaging Of Cigarettes Under EU Law' in *Public Health and Plain Packaging of Cigarettes: Legal Issues* (Edward Elgar, 2012) 231 and E. Bonadio, 'Bans and Restrictions on the Use of Trademarks and Consumers' Health' *I.P.Q.* 2014 4 326-345, 331.
[192] See also Johnson (n. 60) 464 and J. Malbon et al., *The WTO Agreement on Trade-Related Aspects of Intellectual Property Rights: A Commentary* (Edward Elgar, 2014), 294.
[193] World Trade Organization, 'European Communities – Protection Of Trademarks And Geographical Indications For Agricultural Products And Foodstuffs - Reports Of The Panel', WT/DS290/R 15 March 2005 (05-0936), 7.210. See also footnote 564 in paragraph 7.611.
[194] World Trade Organization (n. 161) 7.1977 - 7.1979.
[195] Kur (n. 163) 203.

conferred to a trade mark under the TRIPS Agreement are negative rights.[196] This thesis support this line of argument and in the following chapters analyses how the negative rights conferred by a trade mark are both defined and affected by the functions of trade marks and the balancing factors legislators take into account for the creation of trade mark law.

2.5.3 Expropriation of Property Claims

Tobacco companies have claimed that the provisions of tobacco plain packaging legislation amount to an expropriation of their trade marks. In essence, the industry claimed that the restrictive provisions of tobacco plain packaging legislation are an unprecedented tobacco control policy that expropriates their property rights and therefore they should receive compensation.[197] However as explained below, these claims have failed; the result anticipated the academic community, which had had argued that the tobacco industry should not receive any such compensation.[198] For example, Griffiths argued that the proposition of paying the tobacco industry compensation for the standardisation of tobacco packaging from public funds is 'instinctively unappealing.'[199] Furthermore, Halabi argued that tobacco trade mark proprietors do not have a justifiable claim to compensation since tobacco plain packaging will not make consumers switch to competitors' products.[200] The industry's claims were presented at the Australian High Court in 2012 and at the UK High Court in 2016. The outcomes of these two cases are examined in turn.

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[196] See Gervais (n. 167) 22 and C. Correa, *Trade Related Aspects Of Intellectual Property Rights: A Commentary On The TRIPS Agreement* (Oxford University Press, 2007), 186.

[197] S. Chapman et al., *Removing the Emperor's Clothes: Australia and Tobacco Plain Packaging* (Sydney University Press, 2014) 143.

[198] See B. Goebel, 'Trademarks as Fundamental Rights – Europe' *TMR* 99(4) 2009, 951, E. Bonadio, 'Plain Packaging of Tobacco Products Under EU Intellectual Property Law' *E.I.P.R.* 2012 34(9) 599-608, 607 and P. K. Henning et al., 'Plain Packaging on its Way to Europe: Competence Issues and Compatibility with European Fundamental Rights' *T.D.M.* 1875-4120 Vol. 9 Issue 5 November 2012, 8.

[199] J. Griffiths, '"On the Back of a Cigarette Packet": Standardised Packaging Legislation and the Tobacco Industry's Fundamental Right to (Intellectual) Property' *I.P.Q.* 2015, 4, 364.

[200] S. F. Halabi, 'International Trademark Protection and Global Public Health: A Just-Compensation Regime for Expropriations and Regulatory Takings' 61 *Cath. U. L. Rev.* 325 2011-2012, 364.

2.5.3.1 Australia

In 1992, when Australia was considering the adoption of a tobacco plain packaging legislation for the first time, the Ministry of Health explained that compensation must be given in relation to the tobacco products: '[u]nfortunately, [tobacco plain packaging legislation] is just not feasible [since we] would have to buy the tobacco companies' trademarks, and that would cost us hundreds of millions of dollars.'[201] Twenty years later, the Australian High Court ruled on this issue due to the implementation of the Australian Tobacco Plain Packaging Act 2011 (TPP Act).

JT International SA and British American Tobacco Australasia Limited & ORS brought proceedings claiming that the provisions of the TPP Act amounted to an acquisition of their property,[202] and adequate compensation should be given according to the Constitution of the Commonwealth of Australia.[203] However, the majority of the Australian High Court held that since the Commonwealth did not take hold of the proprietary rights of any trade marks from the trade mark proprietors, no provision of the TPP Act amounts to an acquisition of property. It was argued that besides obedience to the provisions of the TPP Act, the companies producing tobacco products can still use their trade marks as they like, as long as they are permitted. It is also clarified in the text of the decision that the Act does not interfere in any way with the registrability of the trade marks for tobacco products.[204]

With a high level of regulation of tobacco advertising in Australia,[205] Crennan J. stressed that tobacco packaging was one of the last spaces available for advertising. Crennan J.

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[201] A. Harvey, 'Doctors' Plan to Put Cigarettes in Plain Wrap Fails' 24 July 1995, https://www.industrydocumentslibrary.ucsf.edu/tobacco/docs/#id=rzyk0210, accessed 15 June 2018.
[202] *JT International SA v Commonwealth of Australia* [2012] HCA 43.
[203] *The Constitution of the Commonwealth of Australia*, Sec. 51(xxxi).
[204] *JT International SA* (n. 202) 7.
[205] Australian Tobacco Products Regulation 2004.

also recognised that '[t]he advertising function of a trade mark is much more readily appreciated than it once was, and that function may be of great commercial value.'[206] However, the Australian High Court held that although interference with this function may lead to a 'consequential diminution in the value of the property', this would not amount to an indirect acquisition of property.[207]

According to his dissenting judgment, Heydon J held the view that the TPP Act results in an acquisition of property and the purpose of its existence is to allow the Commonwealth to avoid paying compensation to trade mark proprietors:

> 'The structure of that legislation is very strongly motivated by an altruistic desire to improve public health. [However, its] fundamental concern is to avoid paying money to those who will be damaged if that desire to improve (local) public health is gratified in the manner which the legislation envisages.'[208]

Therefore, according to Heydon J, affected trade mark proprietors should be given compensation for their damages. According to one view supporting the argument that the TPP Act leads to an acquisition of property, it is irrelevant whether the state will use the trade marks or not; therefore compensation should be given simply because those particular trade marks can no longer be used by their proprietors in such a way as to 'fulfil their commercial function'.[209] However, as it is sharply put by Evans, '[a]cquisition requires compensation; regulation does not'.[210] The majority of the Australian High Court held that the TPP Act merely regulates trade marks registered for tobacco products. Therefore, since the Commonwealth does not gain possession or control of

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[206] per Crennan J., *JT International SA* (n. 202) 81.
[207] per Crennan J., *Ibid,* 83.
[208] per Heydon J., *Ibid*, 56.
[209] B. Goebel, 'Trademarks as Fundamental Rights – Europe' *TMR* 99(4) 2009, 951.
[210] S. Evans et al., 'Plain Packaging of Cigarettes and Constitutional Property Rights' in *Public Health and Plain Packaging of Cigarettes: Legal Issues* (Edward Elgar, 2012) 64.

the trade mark rights, no provision of the TPP Act leads to an acquisition of property. The UK High Court, in the judicial review in relation to the restrictive provisions of tobacco plain packaging legislation, came to the same conclusion.

2.5.3.2 UK

British American Tobacco and various other tobacco companies (the Claimants) applied for a judicial review at the UK High Court of Justice (High Court), claiming that the UK Standardised Packaging of Tobacco Products Regulations[211] are invalid and unlawful.[212] In its May 2016 judgment, the High Court found that the Regulations are valid and lawful and all elements of the application were rejected.[213] During the proceedings of this case, the High Court referred a question to the Court of Justice of the European Union (CJEU) in relation to the validity of Directive 2014/40 (Tobacco Products Directive 2014).[214] The CJEU affirmed that the Tobacco Products Directive 2014 is valid and that Article 24(2) of must be interpreted as permitting Member States to maintain or introduce further requirements in relation to aspects of the packaging of tobacco products which are not harmonised by that Directive.[215] Member States can, therefore, introduce tobacco plain packaging legislations subject to the Union's overarching principles.

In the judicial review process, the tobacco industry has unsuccessfully claimed, inter alia, that the UK Regulations interfere with their property rights. Similarly to the arguments brought forward in the case in Australia, the tobacco industry claimed that the

[211] The Standardised Packaging of Tobacco Products Regulations 2015, No 829, Schedule 1(1).
[212] *R. (on the application of British American Tobacco (UK) Ltd) and Others v Secretary of State for Health*, [2016] E.T.M.R. 38.
[213] In November 2016 the Court of Appeal dismissed all claimant's appeals and in April 2017 the Supreme Court dismissed permission to appeal. See *R (British American Tobacco UK Ltd and others) v Secretary of State for Health*, [2016] EWCA Civ 1182.
[214] Directive 2014/40/EU of the European Parliament and of the Council of 3 April 2014 on the approximation of the laws, regulations and administrative provisions of the Member States concerning the manufacture, presentation and sale of tobacco and related products and repealing Directive 2001/37/EC (Tobacco Products Directive), Article 24(2).
[215] *R v The Secretary of State for Health,* C-547/14, [2017] Q.B. 327, 84.

Regulations amount to an expropriation of property and thus the UK should pay compensation.[216] The High Court considered these claims under Article 1 of the First Protocol of the European Convention on Human Rights (A1P1)[217] and Article 17 of the Charter of Fundamental Rights of the European Union (Fundamental Charter).[218] These findings are summarised in turn.[219]

Firstly, the High Court held that the Regulations do not amount to an expropriation of property under A1P1.[220] Green J underlined that since under the Regulations the tobacco trade marks remain the property of their proprietors (the Claimants) and since the word marks can be still used in the prescribed way to identify trade origin, the Regulations amount to mere control of use.[221] He further explained that the Claimants are not entitled to compensation since the Regulations serve the public interest:

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[216] See Philip Morris Limited, 'Response to the Consultation on "Standardised Packaging"' 7 August 2014, http://www.tobaccotactics.org/images/5/56/PMI2014consultation.pdf, accessed 23 October 2018, 3 and British American Tobacco, 'UK Standardised Packaging Consultation Response Of British American Tobacco UK Limited' 08 August 2012, http://www.bat.com/group/sites/uk__9d9kcy.nsf/vwPagesWebLive/DO8WZC5E/$FILE/medMD8WZC6J.pdf, accessed 23 October 2018, 38.

[217] According to A1P1 '(1) Every natural or legal person is entitled to the peaceful enjoyment of his possessions. No one shall be deprived of his possessions except in the public interest and subject to the conditions provided for by law and by the general principles of international law. (2) The preceding provisions shall not, however, in any way impair the right of a state to enforce such laws as it deems necessary to control the use of property in accordance with the general interest or to secure the payment of taxes or other contributions or penalties'

[218] According to Article 17(2) of the Charter of Fundamental Rights of the European Union (2012/C 326/02), intellectual property, including trade marks, shall be protected: '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.'

[219] The High Court also examined whether the Claimants are entitled to compensation under the common law. The court held that there is 'no legal basis upon which at common law the Courts should be required to order the state to compensate the tobacco companies if the same would not be compelled by the operation of the [European Convention on Human Righs]'.

[220] British American Tobacco (n. 212) 856, 784.

[221] Ibid., 785. Green J. mainly considered *Vékony v Hungary* ECHR5 2015 and *AGOSI v UK* 9 E.H.R.R. 1 1987, *Air Canada v UK* 20 E.H.R.R. 150 1995, *Pinnacle Meat Processors Company v UK* 27 E.H.R.R. CD217 1999, *Friend v United Kingdom (Countryside Alliance)* E.H.R.R. SE6 2010, *OAO Neftyanaya Kompaniya Yukos v Russia* 54 E.H.R.R. 19 2012.

> 'Public policy evolves. Political thinking evolves. No individual or company can have an expectation that if it produces and supplies a product that is, or becomes recognised as, contrary to the public interest that it will be entitled to continue to produce and sell that product, or that if the State comes to prescribe or curtail the product in issue that it will be entitled to compensation.'[222]

Secondly, the High Court rejected the claim that Article 17 of the Fundamental Charter provides greater protection than A1P1. Green J underlined that like A1P1, the right provided under Article 17 is a qualified one.[223] Therefore, according to the High Court's reasoning, property rights under Article 17 can be restricted in a proportionate and tolerable way.[224] In coming to this conclusion the High Court took into account, inter alia, the reasoning of the CJEU case *R. v Secretary of State for Health*.[225] In this case, two tobacco manufacturers claimed that large health warnings required by Article 5 of the Tobacco Products Directive 2001[226] would 'dominate the overall appearance of tobacco product packaging and so curtail or even prevent the use of their trade marks'.[227] They also claimed that Article 7 of the Tobacco Products Directive 2001 (under which 'texts, names, trade marks and figurative or other signs suggesting that a particular tobacco product is less harmful than others shall not be used on the packaging of tobacco products') would, through removing their ability to use them, effectively confiscate

[222] Ibid., 798.
[223] Ibid., 843.
[224] Ibid., 832. 'Nothing in international or EU law provides therefore that certain types of use of a trade mark cannot be *wholly* prohibited. Put another way the "essence" of a right is, itself, defined and limited in international and EU law by reference to superior rights and obligations.'
[225] *R. v Secretary of State for Health*, C-491/01, [2003] 1 C.M.L.R. 14.
[226] Directive 2001/37/EC of the European Parliament and of the Council of 5 June 2001 on the approximation of the laws, regulations and administrative provisions of the Member States concerning the manufacture, presentation and sale of tobacco products.
[227] R. v Secretary of State for Health (n. 225) 143.

several trade marks they possessed.[228] The CJEU held that the right to property is not an absolute right:[229]

> 'As regards the validity of the Directive in respect of the right to property, the Court has consistently held that, while that right forms part of the general principles of Community law, it is not an absolute right and must be viewed in relation to its social function. Consequently, its exercise may be restricted, provided that those restrictions in fact correspond to objectives of general interest pursued by the Community and do not constitute a disproportionate and intolerable interference, impairing the very substance of the rights guaranteed.'[230]

In relation to the size of the health warnings, the court held that by ensuring a 'high level of health protection' Article 5 does not affect the substance of the trade mark rights.[231] Furthermore, the Court explained that the measure under Article 7 does not 'constitute a disproportionate and intolerable interference' since other trade marks can be used to indicate the trade origin of the tobacco packaging.[232] Furthermore, the Advocate General in the case explained that trade mark property rights are not affected by the Tobacco Products Directive 2001:

> 'I fail to see how the obligations resulting from Art.5 can be regarded as undermining the very substance of the trademark right. The trademark can normally be displayed on the packaging. Only part of the packaging —

[228] Directive 2001/37/EC.
[229] CJEU referred to, inter alia, *Regina v Secretary of State for the Environment and another*, Ex parte Standley and Others (National Farmers' Union, Intervener), C-293/97, [1999] 3 W.L.R. 744. In *Standley* CJEU indicated the balance of public health and property rights. In essence, two farmers claimed that the Nitrates Directive (Council Directive 91/676/E.E.C. of 12 December 1991 concerning the protection of waters against pollution caused by nitrates from agricultural sources) interfered with their property rights. The CJEU underlined that this Directive 'reflects requirements relating to the protection of public health, and thus pursues an objective of general interest'. Standley, 56.
[230] R. v Secretary of State for Health (n. 225) 149.
[231] *Ibid.,* 150.
[232] *Ibid.,* 153.

> which itself amounts to even less than 50 per cent— must be reserved for the statements and warnings prescribed in Art.5. Furthermore, the essential substance of a trademark right does not consist in an entitlement as against the authorities to use a trademark unimpeded by provisions of public law. On the contrary, a trademark right is essentially a right enforceable against other individuals if they infringe the use made by the holder. It is only if normal usage is no longer possible as a result of provisions of public law that a situation can arise in which the substance of the right is affected by reason of those provisions.'[233]

Taking these into account, Green J. argued that when referred to the 'normal usage' of a trade mark, the Advocate General did not intent to include uses of trade marks that harm the public health.[234] Green J. concluded that the Regulations are proportioned since they are appropriate and suitable and since no alternative tobacco control measure could achieve their aims and objectives.[235] Furthermore, the High Court highlighted the fact that, irrespective of whether the Regulations meet all of the conditions of the proportionality test, the property rights of tobacco trade marks are not impaired by the Regulations for three reasons.[236] These are: the fact that the Regulations allow the registration of trade marks; the property rights are not expropriated; and the word marks in the form of 'brand and variant' can still be used to indicate trade origin. As a result, the High Court concluded that under Article 17 of the Fundamental Charter the Claimants are not entitled to compensation.

[233] Per Geelhoed AG, R. v Secretary of State for Health (n. 225), A266.
[234] *British American Tobacco* (n. 212) 830.
[235] *Ibid.*, 649 and 479.
[236] *Ibid.*, 838.

2.5.4 Additional Claims Examined in the UK Judicial Review (R (on the application of British American Tobacco (UK) Limited) v The Secretary of State for Health)

In addition to the claims in relation to expropriation of property in the judicial review process examined above, British American Tobacco and various other tobacco companies (the Claimants) unsuccessfully claimed that the UK Standardised Packaging of Tobacco Products Regulations (the Regulations) are invalid and unlawful on additional grounds.[237] This section summarises the four main additional grounds in turn.

Firstly, the claimants argued that the Secretary of the State attached limited weight to the claimants' evidence during the consultation process. Green J examined the claimant's evidence in the light of the FCTC and WHO guidelines on tobacco industry evidence and concluded that during the consultation process the Secretary of State has not acted unlawfully in attributing limited weight to the tobacco industry evidence.[238] He explained that 'measured against internationally accepted research and evidence standards, that evidence, as a generality, was materially below par.'[239]

Secondly, although the principle of proportionality was relevant with the claim in relation to the expropriation of property as discussed above, the claimants unsuccessfully argued that the Regulations are disproportionate because (1) they are not appropriate to reduce smoking levels and improve public health, (2) they are not necessary since other equally effective but less restrictive measures should be adopted, and (3) they fail to strike a fair balance between the competing interests. By taking into account the judgment of the UK Supreme Court in *Lumsdon* [240] and the judgment of the

[237] *R. (on the application of British American Tobacco (UK) Ltd) and Others v Secretary of State for Health*, [2016] E.T.M.R. 38.
[238] WHO Framework Convention on Tobacco Control, Article 5(3).
[239] *British American Tobacco* (n. 212) 404.
[240] *R. (on the application of Lumsdon) v Legal Services Board* [2015] UKSC 41.

CJEU in *Scotch Whisky* [241] the Court concluded that there are five factors that should be considered in the proportionality test:

> '(i) the nature and importance of the "private interest" being derogated or departed from [...]; (ii) the importance of the public interest being prayed in aid to justify the departure from the competing private right; (iii) the need in an EU case to prevent unnecessary barriers to free movement and market integration [...]; (iv) the extent to which the alleged derogation itself furthered a recognised social policy of the EU [...]; (v) the extent to which the national measure derogated from free movement in an area where the EU had not legislated but where it was said that the derogating measure furthered an important consumer protection policy in the Member State.'[242]

Green J rejected the argument that the Regulations are not appropriate or suitable to reduce smoking levels and improve public health. He explained that the Parliament has been benefited by a 'relatively broad margin of appreciation'[243] for the following reasons:

> '(a) the fact that the Regulations are public health measures where both the precautionary principle applies and where the scientific evidence is predictive and not fully mature or robust; (b) the fact that there exist scheduled reviews at points in time when it can be expected that the evidence will have developed and matured; (c) the fact that the decision maker was Parliament and that the process of promulgation of the Regulations was supervised by the EU Commission; (d) the fact that the adoption of standardised packaging measures is endorsed at the highest

[241] *Scotch Whisky Association v Lord Advocate*, C-333/14 [2016] 1 WLR 2283.
[242] *British American Tobacco* (n. 212) 434.
[243] *Ibid.*, 649.

> level of international consensus; and (e) the fact that this is an area of shared competence between the EU and the Member States in which the Member States must take a high level of protection of health as their starting point.'[244]

Furthermore, the Court held that the Regulations are necessary and that no equally effective less restrictive measure which meets the aims and objectives of the Regulation currently exists.[245] For example, Green J explained that while the Government could increase the taxes for tobacco products by 10,000% or more and hence make the purchase of such products unaffordable, it does not base tobacco control policies solely on the level of tax increases.[246] Since the main aim of this tobacco control step is the denormalisation of a product which was perceived as normal for decades, it was necessary for the Government to adopt tobacco plain packaging legislation since the increase of taxation would not have the same effects especially to new smokers who don't smoke as much as addicted smokers.[247]

The final point in relation to proportionality was whether the Regulations strike a fair balance between the competing interests. Green J explained that the colliding interests are on the one hand the public health as 'one of the highest of all public interests that can be prayed in aid' and on the other hand, the profits tobacco companies benefit by the promotion of tobacco products. The Court mentioned that these two interests 'collide in the most irreconcilable of ways' and concluded that by taking into account the relevant public interest in this case, the Regulations are overwhelmingly justified and proportionate.[248]

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[244] *Ibid.*, 629.
[245] See also J. Griffiths, 'The Tobacco Industry's Challenge To The United Kingdom's Standardised Packaging Legislation – Global Lessons For Tobacco Control Policy?' 17 *QUT L. Rev.* 66 2017, 73.
[246] *British American Tobacco* (n. 212) 667.
[247] *Ibid.*, 671.
[248] *Ibid.*, 683 and 711.

Thirdly, the claimants argued that the Regulations unlawfully interfere with the unitary character of trade marks across the European Union[249] and in particular that the Regulations are inconsistent with Art 1(2) of the Community Trade Mark Regulation (CTMR) which provides that all community trade marks must have an equal effect throughout the Community.[250] Green J rejected this argument explaining that CTMR 'does not and cannot guarantee' such equal effect across the EU since all trade marks are subject to 'overriding treaty obligations'.[251] He explained that, as discussed above, TRIPS provides for the limitation of intellectual property rights on various grounds including public health.

Finally, the claimants argued that the UK Parliament had no jurisdiction in adopting the Regulations since according to a recent judgment of the CJEU,[252] Art. 207(1) of the Treaty on the Functioning of the European Union provides that 'any matter which concerns the common commercial policy and intellectual property is reserved to the exclusive competence and jurisdiction of the EU to the exclusion, therefore, of measures of national law in those areas.'[253] Green J explained that the main aim of the Regulations is the protection of public health and therefore he concluded that the Tobacco Directive (under which the Regulations are allowed) 'involves shared competence with the Member States who quite plainly have a power to introduce standardised packaging which by its very nature will fetter the use to be made of trade marks and other intellectual property rights'.[254] For this reason, this argument failed as well.

[249] *Ibid.*, 865.
[250] Council Regulation (EC) No 207/2009 on the Community trade mark, Article 1(2).
[251] *British American Tobacco* (n. 212) 867.
[252] *Daiichi Sankyo Co. Ltd v DEMO Anonimos Viomikhaniki kai Emporiki Etairia Farmakon*, C-414/11 [2014] Bus LR 1.
[253] *British American Tobacco* (n. 212) 905.
[254] *Ibid.*, 917.

In conclusion, all grounds challenging the validity of the Regulations failed. Furthermore, all these claims also failed on Appeal.[255] Therefore, the Court concluded that the Parliament had jurisdiction to adopt the regulations, that the Secretary of the State justifiably attached limited weight to the tobacco industry evidence, that the Regulations are appropriate and necessary and that no equally effective less restrictive measure could be adopted.

2.6 Conclusion

Tobacco plain packaging legislation fully standardises the packaging of tobacco products with the aim of reducing smoking levels and preserving public health. As is explained in this chapter, its provisions affect the presentation of trade marks on tobacco packaging; an unprecedented tobacco control measure. The aim of this thesis is to examine the justification of tobacco plain packaging legislation and its interaction with trade mark law provisions. However, before engaging in this examination, this chapter analysed the development of the concept of tobacco plain packaging as a tobacco control measure and the way it was legally applied in Australia and the UK.

This chapter explained that tobacco control has a prominent position in the public health agenda of the European Union and it is comprised of a series of measures that aim to reduce the use of tobacco products. Chapman argues that these measures 'do not work in isolation from each other but in concert, with relationships that, to be best understood, need to be researched longitudinally over many years.'[256] All these elements of the tobacco control regulations are the weapons in the war against tobacco. Furthermore, Heggins suggests that the European Union must continue this battle to develop tobacco control policy:

[255] See *R (British American Tobacco UK Ltd and others) v Secretary of State for Health*, [2016] EWCA Civ 1182.
[256] Chapman (n. 45) 158.

> 'The main aim of the EU shall be to survive the legal war of the tobacco manufacturers, who will be using all available instruments such as lobbying, investment claims and aggressive advertisement campaigns to undermine plain packaging. Once a decision permitting plain packaging has been made, the way for plain packaging has definitively been cleared.'[257]

Tobacco plain packaging legislation is the latest addition to the long list of tobacco control measures.[258] By standardising tobacco packaging and by prohibiting the use of figurative trade marks, it damages the promotion of tobacco products. The attack on tobacco trade marks was characterised as controversial and intrusive. However, all disputes challenging its legality have thus far failed. In particular, the WTO Panels established for this dispute concluded that tobacco plain packaging legislation justifiably encumbers the use of a trademark in the course of trade,[259] and that the TRIPS agreement does not establish a positive right to use the trade mark.[260] In light of these conclusions, the adoption of tobacco plain packaging legislation does not interfere with WTO obligations. Furthermore, the tobacco industry unsuccessfully claimed that tobacco plain packaging legislation is unlawful, disproportionate and unnecessary and that it expropriates their trade marks.

Taking these issues into account, this thesis examines the provisions of tobacco plain packaging legislation in the light of the reasoning behind the European trade mark law system. As explained in this chapter, tobacco control has a strong, longstanding objective to preserve human health. As the number one preventable cause of death, the use of tobacco products is justifiably in the crosshairs of public health policy agendas. In

[257] P. K. Henning et al., 'Plain Packaging on its Way to Europe: Competence Issues and Compatibility with European Fundamental Rights' *T.D.M.* 1875-4120 Vol. 9 Issue 5 November 2012, 12.
[258] For potential future tobacco control measures see J. Hoek et al., 'Dissuasive Cigarette Sticks: The Next Step In Standardised ('Plain') Packaging?' *Tob Control* 2016;25, 705 examining the standardisation of cigarette sticks: 'For smokers already regretting their addiction to a product that has become socially unacceptable, unappealing sticks may amplify feelings of dissonance in the same way that plain packaging diminishes the perceived and actual experience of smoking.'
[259] Ibid., 7.2605.
[260] World Trade Organization (n. 161) 7.1977 - 7.1979.

parallel with tobacco control, trade mark law is fundamentally rooted in the promotion and protection of various interests.[261] As is further explored in the following chapters, trade mark law protects the rights of consumers and trade mark proprietors, and also gives incentives for creating better quality products. Therefore, this thesis argues that the combination of the objectives of both tobacco control *as well as* the reasoning behind trade mark law explain that tobacco plain packaging legislation should not be seen as a controversial piece of legislation but as a logical one.[262]

Accordingly, the next chapter analyses the theoretical justification of trade marks as objects of property. Although in this chapter it was explained that tobacco plain packaging legislation does not amount to an expropriation of tobacco trade marks, the next chapter examines how this legislation is going to affect trade marks as objects of property.

[261] T. Scassa, 'Antisocial Trademarks' 103 *Trademark Rep.* 1172 2013, 1177. See also J. Tarawneh, 'A New Classification for Trade Mark Functions' *I.P.Q.* 2016 4 352-370, 367, S. Maniatis, 'Trade mark rights – A Justification Based on Property' *I.P.Q.* 2002 2, 168 and S. Wilf, 'Who Authors Trademarks?' 17 *Cardozo Arts & Ent.* L.J. 1 1999

[262] M. Scollo et al., Plain Packaging: A Logical Progression For Tobacco Control In One Of The World's 'Darkest Markets' *Tob Control* 2015 (24), 3.

Chapter Three

Tobacco Plain Packaging Legislation and its Impact on Trade Marks as Objects of Property

3.1 Introduction

As was examined in the previous chapter, tobacco plain packaging legislation is the latest development in tobacco control. It standardises the presentation of tobacco trade marks on tobacco packaging and prohibits the use of any figurative trade marks.[263] The unprecedented nature of these provisions prompted the tobacco industry to claim that tobacco plain packaging amounts to an expropriation of their trade marks. As analysed in the previous chapter, this claim failed both in Australia and the UK.[264] Taking into account that tobacco trade marks remain the property of the tobacco companies, this chapter explores the potential impact of tobacco plain packaging legislation on tobacco trade marks as objects of property. In essence, this chapter analyses the theoretical justification of trade marks as objects of property. The main findings of this chapter include the likelihood that by interfering with the communicating aspects of trade marks, tobacco plain packaging legislation is likely to reduce the value of tobacco trade marks as objects of property.

Although initially the rights conferred by trade marks were found to be unworthy of protection in the European Union,[265] today trade marks are objects of property.[266] The

[263] See Figure 1 in Appendix.

[264] See *R. (on the application of British American Tobacco (UK) Ltd) and Others v Secretary of State for Health*, [2016] E.T.M.R. 38 and *JT International SA v Commonwealth of Australia* [2012] HCA 43.

[265] See for example *Sirena S.R.L. v Eda S.R.L. and Others*, 40/70 [1971] C.M.L.R. 260 and *Van Zuylen Freres v Hag A.G.*, 192/73 [1974] 2 C.M.L.R. 127. For further analysis see section 4.2.1.

[266] See Recital 10 of Regulation (EU) 2017/1001 of the European Parliament and of the Council of 14 June 2017 on the European Union trade mark. See also Section 5 of Directive (EU) 2015/2436 of the European Parliament and of The Council of 16 December 2015 to approximate the laws of the Member States relating to trade marks (Directive (EU) 2015/2436). According to Article 54 of the Directive (EU) 2015/2436, the member states have to implement the changes that it requires by January 2019, excluding the changes required by Article 54, which must be implemented by January 2023. Section 5 sets out the Articles in relation to trade marks as objects of property: according to Article 22(1), 'a trade mark may be

legal recognition of trade marks as objects of property facilitates the commercial exploitation of trade marks in the European Union and gives proprietary rights on trade marks to their owners.[267] Such property is protected under Article 1 of the First Protocol of the European Convention on Human Rights (A1P1)[268] and Article 17 of the Charter of Fundamental Rights of the European Union (Fundamental Charter).[269] As explained above, the tobacco industry's claim that their proprietary rights are violated under these two provisions failed.

However, both the UK High Court of Justice (High Court) and the Australian High Court explained that tobacco plain packaging legislation amounts to a control of the use of tobacco trade marks.[270] The High Court explained that although the provisions of tobacco plain packaging legislation do not provide the 'optimal use of the trade marks',[271] it does not force the tobacco industry to sell its products as a 'homogenous unidentified commodity'.[272] Therefore, while the control of use of tobacco trade marks

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transferred separately from any transfer of the undertaking, in respect of some or all of the goods or services for which it is registered'. Article 23(1) states: 'a trade mark may, independently of the undertaking, be given as security or be the subject of rights in rem'. Article 24(1) continues, 'a trade mark may be levied in execution'. Article 25 sets out the details of the act of licensing a trade mark, and finally, Article 26 clarifies that, 'Articles 22 to 25 shall apply to applications for trade marks'. See also Section 22 of the UK Trade Marks Act 1994: 'A registered trade mark is personal property'.

[267] *Ibid*., Recital 36 of Directive (EU) 2015/2436.

[268] According to A1P1 '(1) Every natural or legal person is entitled to the peaceful enjoyment of his possessions. No one shall be deprived of his possessions except in the public interest and subject to the conditions provided for by law and by the general principles of international law. (2) The preceding provisions shall not, however, in any way impair the right of a state to enforce such laws as it deems necessary to control the use of property in accordance with the general interest or to secure the payment of taxes or other contributions or penalties'

[269] According to Article 17(2) of the Charter of Fundamental Rights of the European Union (2012/C 326/02), intellectual property, including trade marks, shall be protected: '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.'

[270] *R. (on the application of British American Tobacco (UK) Ltd) and Others v Secretary of State for Health*, (n. 264) 784 and *JT International SA v Commonwealth of Australia* (n. 264) 84.

[271] The Standardised Packaging of Tobacco Products Regulations 2015, No 829, Schedule 1(1).

[272] *R. (on the application of British American Tobacco (UK) Ltd) and Others v Secretary of State for Health*, (n. 264) 785.

is in the public interest,[273] it stops one step short of rendering the marketing of tobacco products as unidentified commodities. For this reason, this chapter argues that although they do not expropriate the tobacco trade marks, the restrictions imposed by tobacco plain packaging legislation on trade marks affect the property aspect of tobacco trade marks and, therefore, the rights conferred upon trade mark proprietors. In particular, this chapter concludes that tobacco plain packaging legislation is likely to affect the value of tobacco trade marks as objects of property. In order to examine the interactions of tobacco plain packaging legislation with trade marks as objects of property, this chapter is divided in five sections.

Following the introductory section, section 2 explains that the protection of trade marks as objects of property should be discussed separately from the protection of copyright and patents as objects of property. It explains that the subject matter of protection of trade marks as objects of property lies in the communicative aspects of trade marks and gives examples of trade mark law provisions that limit the property rights trade marks confer, due to the nature of these aspects. Finally, it identifies that tobacco plain packaging legislation aims to affect these communicative aspects.

Section 3 engages in the discussion of the theoretical justification of trade marks as objects of property. It explains that although many theories attempt to justify the protection of real property, Locke's labour theory is more appropriately applied to trade marks. As a result, it analyses the way Locke's theory is properly applied to trade marks and analyses Maniatis' and Wilf's application of the Lockean labour to trade marks. This section concludes that the Lockean labour in relation to trade marks is ultimately the creation of goodwill, and that the provisions of tobacco plain packaging legislation are likely to affect the goodwill of tobacco trade marks by diminishing the communicative power of these trade marks.

[273] *Ibid.*, 788.

Following this, Section 4 explains that the main elements that constitute goodwill are the reputation and patronage of a particular business. It explains that this goodwill forms the basis of trade mark property rights since trade marks can both represent and generate goodwill. Finally, it argues that the provisions of tobacco plain packaging legislation are likely to affect the value of goodwill represented by tobacco trade marks by reducing the reputation of tobacco trade marks and the patronage of tobacco companies, and will consequently affect the value of tobacco trade marks as objects of property.

3.2 The Communicative Aspects of Trade Marks as the Subject Matter of Property Rights

The restrictive provisions of tobacco plain packaging legislation affect the way trade marks appear on tobacco packaging with the aim of affecting the communicative aspects of tobacco trade marks. These communicative aspects constitute the subject matter of trade marks as objects of property. This section explains that a theoretical justification of the property rights of trade marks should be provided separately from the property rights conferred by copyrights and patents. This separation is needed for a better understanding of both the theoretical justification of trade marks as objects of property, assessed in the next section, and the way tobacco plain packaging legislation interferes with the property status of tobacco trade marks, analysed at the end of this chapter.

Protection of trade marks is one of the three main branches of intellectual property law; the other two are copyright and patents.[274] By simplifying the subject matter of these three branches, Cornish suggests that patent law concerns invention, copyright law

[274] See for example the UK Copyright, Designs and Patents Act 1988.

concerns intellectual creation, and trade mark law concerns branding.[275] Various public policy theories were used to justify the protection of copyrights, patents and trade marks under the umbrella of intellectual property; Sherwood identifies three main theories therein.

Firstly, he identifies the 'reward' theory under which the effort of the creator, inventor or marketer is publicly honoured. Secondly, he identifies the 'recovery' theory; this requires the protection of intellectual property in order for the creator, inventor or marketer to recover some of the effort, time and money they have invested. Finally, he identifies the 'incentive' theory, under which intellectual property is awarded as an incentive to create, invent and market quality products.[276] In addition to these three traditional theories, Sherwood argues that, as an economic development strategy, protecting intellectual property is inherently advantageous to economic growth.[277]

Although both copyright and patents are intangible properties like trade marks, the subject matter of protection of trade marks is arguably of a different nature to copyrights and patents. The importance of trade marks lies in the information they communicate. Maniatis explains how the protection of trade marks as objects of property should be understood:

> 'In the case of trade marks property means the right to use exclusively a sign to denote a relation between a product and an identifiable entity. The relation can vary depending on the market values and the legal provisions.

[275] W. Cornish, *Intellectual Property: Omnipresent, Distracting, Irrelevant?* (Oxford University Press, 2004) 75. 'Brand' is a marketing practitioner's term for what a lawyer knows as a 'trade mark'. For an analysis on the use of brands in marketing and the branding see chapter six.
[276] R. M. Sherwood, 'Intellectual Property and Economic Development' *Westview Special Studies in Science, Technology, and Public Policy* 1990, 37-38.
[277] *Ibid*, 39.

> The property right does not cover the sign as such but only the sign in relation to specific communicative aspects.'[278]

These communicative aspects should play a major role in the reasoning of the arguments justifying trade marks as objects of property.[279] This thesis argues that the inclusion of trade marks under the umbrella of intellectual property downplays the importance of the signalling aspects of trade marks. Since property is found in these communicative aspects and not in the sign, as such, the justification for the proprietary rights trade marks confer to their owners should differ from the justifications for the propriety rights conferred by copyrights and patents.[280] In other words, according to Merges, this communicative aspect makes the policy rationale for trade marks 'more multidimensional'[281], and therefore the justification of trade marks as objects of property should be examined separately from copyrights and patents.[282]

In essence, the main difference that separated trade marks from copyrights and patents is the fact that trade marks are signs that communicate and psychologically connect with consumers.[283] Since the subject matter of a trade mark and the aspect that forms the property in a trade mark is the commercial meaning of the sign in the marketplace, its use in commerce is arguably what establishes a trade mark.[284] In contrast, copyrighted work comes to life via an author, while a patent comes to life through its notion of an inventor.[285] For copyrights and patents, the property is awarded to the author and the inventor respectively. However, trade mark property rights are awarded to the person who attaches the sign to the relevant products and markets them.

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[278] S. Maniatis, 'Trade mark rights – A Justification Based on Property' *I.P.Q.* 2002 2, 171.
[279] See L. Bently, 'Communication to Thing: Historical Aspects to the Conceptualization of Trade Marks as Property' *University of Iowa Legal Studies Research Paper* Number 07-31 November 2007.
[280] See also D. W. Barnes, 'A New Economics of Trademarks' 5 *Nw. J. Tech. & Intell. Prop.* 22 2006.
[281] R. P. Merges, *Justifying Intellectual Property* (Harvard University Press, 2011) 213-215.
[282] J. Tarawneh, 'A New Classification for Trade Mark Functions' *I.P.Q.* 2016 4 352-370, 368.
[283] See K. Assaf, 'Brand Fetishism' 43 *Connecticut Law Review* 83 2009.
[284] S. Wilf, 'Who Authors Trademarks?' 17 *Cardozo Arts & Ent. L.J.* 1 1999, 7.
[285] *Ibid*.

Furthermore, copyrighted and patented works give exclusive rights to their proprietors for a specific time.[286] Under these exclusive rights, the proprietors are able to control the patents and copyright works and market them as they wish. The protection given by a patent or a copyright has been characterised as 'inherently anticompetitive', [287] since it provides an exclusive market for the work of art or invention. However, the grant of these limited duration monopolies is justified since it gives them the incentive to create and invent.[288]

Conversely, trade marks can be registered for an unlimited time and hence, it can be argued that trade mark property rights create monopolies that may harm competition.[289] However, although trade mark proprietors are able to grant a monopoly over their signs indefinitely, there is an incentive that justifies this. Carter argues that trade marks lack the power to create a monopoly over a product or a service; they are merely capable of creating an insignificant monopoly over symbols.[290] This monopoly enables trade marks to advertise and distinguish one product from another in the market. For that reason, trade marks may even be seen as the 'essence of competition'.[291] As trade marks by nature support the creation of high quality products, their sale at fair price points, and the cultivation of repeat custom by allowing customers to identify a favoured brand from that of a rival, this is a monopoly which encourages competition along these same lines, and as such, is significantly dissimilar to patent or copyright law.[292] Therefore, although the fact that trade marks are objects of property may or may not enable them to create a monopoly, this monopoly on the

[286] See for example Copyright, Designs and Patents Act 1988 S. 12(2).
[287] D. M. McClure, 'Trademarks and Unfair Competition: A Critical History of Legal Thought' 69 *Trademark Rep.* 305 1979, 307.
[288] *Ibid*, 329.
[289] G. S. Lunney, 'Trademark Monopolies' 48 *Emory L. J.* 367 1999, 372 and 487.
[290] S. Carter, 'The Trouble with Trademarks' 99 *Yale L.J.* 759 1989-1990, 769.
[291] L. S. Taggart, 'Trade-Marks: Monopoly or Competition?' 43 *Mich. L. Rev.* 659 1944-1945, 668.
[292] J. F. Coverdale, 'Trademarks and Generic Words: An Effect on Competition Test' 51 *U. Chi. L. Rev.* 868 1984, 869. Cf. M. Senftleben, 'The Trademark Tower of Babel - Dilution Concepts in International, US and EC Trademark Law' *IIC* 2009 40(1) 45-77, 60. Senftleben argues that the competition promotion incentive arguments are irrelevant to the discussion of the justification of trade marks as objects of property since the creation of trade marks is dictated by selfish marketing decisions.

communicative aspect of trade marks is necessary to enhance their communicative aspects.[293]

Furthermore, Griffiths argues that the output of copyrighted work and patented inventions are able to contribute to society as long as people and firms use them.[294] However, copyrighted works and patents do not have to be used, and consequently 'valued', to be legally protected.[295] This is not the case with trade marks; since the subject matter of a trade mark lies in its communicative aspect, trade marks should be only used by a single entity to preserve the signal of this information clearly. In fact, it is the exclusive use from a single person or firm that enables trade marks to be indefinitely renewed.[296] Therefore, trade mark proprietors are able to keep a trade mark only if they plan to use it and retain its communicative aspects. In addition to the academic literature on whether trade marks create unjustifiable monopolies, it is argued that two legal provisions limit the property function of trade marks. The first one is the limit provided by the requirement of use, and the second is the provision against genericness.

Trade marks can only be owned if they are used in the course of trade. According to Article 16 of the Trade Marks Directive, the trade mark proprietor must use the trade mark in relation to the products or services the sign is registered for.[297] If the trade mark proprietor does not use the trade mark in commerce, the registration of the trade mark

[293] S. C. Oppenheim, 'The Public Interest in Legal Protection of Industrial and Intellectual Property' 40 *Trademark Rep.* 613 1950, 623.

[294] A. Griffiths, 'Trade Marks Plus? The Role of Trade Marks in the Global Economy and the Danger of Over-Protection' *Liverp Law Rev* (2007) 28:107–141, 136.

[295] J. Hughes, 'The Philosophy of Intellectual Property' 77 *Geo. L. J.* 287 1988-1989, 309, '[O]ne can register a writing for copyright protection without ever planning to "value." Indeed, thousands of worthless works are probably copyrighted every month'.

[296] See J. R. Lunsford Jr., 'Consumers and Trademarks: The function of Trademarks in the Market Place' 64 *Trademark Rep.* 75 1974,79.

[297] Article 12(1) of Directive 2008/95/EC of the European Parliament and the Council of 22 October 2008 to approximate the laws of the Member States relating to trade marks (Directive 2008/95/EC). This is also reflected in Article 19(1) of Directive (EU) 2015/2436 of the European Parliament and of The Council of 16 December 2015 to approximate the laws of the Member States relating to trade marks (Directive (EU) 2015/2436) and in Section 46(1)(a) of the UK Trade Marks Act 1994. According to Article 54 of the Directive (EU) 2015/2436, the member states have to implement the changes that it requires by January 2019, except the changes required by Article 54 which must be implemented by January 2023.

may be subject to revocation.[298] Being objects of property, trade marks could technically be owned without being used.[299] Without the requirement of use, firms would violate the trade mark system by registering signs and words with no intention of using them.[300] However, since it is the use that gives trade marks value, worth and market power, the law recognises objects of property only the trade marks that are genuinely used.[301] Although one might keep secret a theory or invention of unimaginable potential worth, fearing that its theft would render it worthless to its owner, a trade mark's value cannot be divided from the public's knowledge of and investment in it.[302] Therefore, a trade mark is an object of property only if the trade mark is used in trade.[303]

On the other hand, although use gives value to trade marks, excessive or inappropriate use may render trade marks generic terms.[304] According to Article 12(2)(a) of the Trade Marks Directive '[a] trade mark shall be liable to revocation if, after the date on which it was registered in consequence of acts or inactivity of the proprietor, it has become the common name in the trade for a product or service in respect of which it is registered'.[305] By becoming generic terms, trade marks are deprived of their ability to

[298] See cases *Ansul BV v Ajax Brandbeveiliging BV*, C-40/01 [2004] 3 W.L.R. 1048 at 37, *Silberquelle GmbH v Maselli-Strickmode GmbH*, C-495/07 [2009] E.T.M.R. 28 at 22, *Verein Radetzky-Orden v Bundesvereinigung Kameradschaft "Feldmarschall Radetzky"*, C-442/07 [2009] E.T.M.R. 14 at 24, *Häupl v Lidl Stiftung & Co KG*, C-246/05 [2007] E.T.M.R. 61 at 44 and UK cases *Maier and another v ASOS plc and another*, [2016] Bus. L.R. 1063 at 235, *Laboratoires Goemar SA v La Mer Technology Inc*, [2005] EWCA Civ 978 at 32.

[299] See C. Richardson, 'Gucci loses GG trade mark: an important lesson in keeping records and evidence' *E.I.P.R.* 2014, 36(9), 601-606.

[300] P. Loughlan, 'Trade Marks: Property rights and Their Limits' 31 *Monash U. L. Rev.* 2005, 280 and 286.

[301] Maniatis (n. 338) 149. See also C. Howell, 'No marks for internal promotion - use it or lose it at Covent Garden Market' *Comms. L.* 2006, 11(2), 47-50 and B. Trimmer, 'Giles Parsons, How Genuine Use Is Treated across the EU' 261 *Managing Intell. Prop.* 38 2016, 39.

[302] *Ibid.* See also G. Heath-Nabbaro, 'Use, Non-Use, and Proof of Use' 108 *Trademark Rep.* 549 2018, 568.

[303] E. Bolton, 'Defining Genuine Use Requirements of Community Trade Marks in Light of an Expanding European Union' 27 *Conn. J. Int'l L.* 371 2012, 381.

[304] See *Backaldrin Österreich The Kornspitz Co GmbH v Pfahnl Backmittel GmbH*, C-409/12 [2014] Bus. L.R. 320 at 38, *Björnekulla Fruktindustrier AB v Procordia Food AB*, C-371/02 [2005] 3 C.M.L.R. 16 at 26 and UK case *JW Spear & Sons Ltd, Mattel Inc and Mattel UK Ltd v Zynga Inc*, [2015] EWCA Civ 290 at 146.

[305] Article 12(2)(a) of Directive 2008/95/EC of the European Parliament and the Council of 22 October 2008 to approximate the laws of the Member States relating to trade marks (Directive 2008/95/EC). This is also reflected in Article 20(a) of Directive (EU) 2015/2436 of the European Parliament and of The Council of 16 December 2015 to approximate the laws of the Member States relating to trade marks (Directive (EU) 2015/2436) and in Section 46(1)(c) of the UK Trade Marks Act 1994. According to Article 54

indicate their trade origin,[306] and as such, they may be subject to revocation and the word itself enters the 'permanent common'.[307] The genericness provision prevents the misuse of trade marks;[308] if trade marks designate a particular trade origin then they serve their essential function.[309] If, however, they designate 'the genus in which that brand competes', they should be regarded as generic terms, and be free to be used by everyone.[310] In order to avoid this, trade mark proprietors educate the public to use their trade mark in their desirable way.[311] For example, they treat trade marks as adjectives and never as nouns or verbs.[312]

Both the requirement of use and the threat of genericness are provisions that limit the property functions of trade marks in order to safeguard competition and their proper use.[313] Although the rights conferred by a trade mark are irreversibly recognised as property rights,[314] these rights are not absolute.[315] As Lunney puts it, '[w]hile the mark was its owner's property, it was her property only in the limited sense that she held the legal right to seek a remedy should another adopt a mark sufficiently similar to threaten the mark's ability to indicate product source.'[316] Therefore, the argument that trade

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of the Directive (EU) 2015/2436, the member states have to implement the changes that it requires by January 2019, except the changes required by Article 54, which must be implemented by January 2023.

[306] C. Seville, *EU Intellectual Property Law and Policy* (Edward Elgar, 2009) 273.

[307] Hughes (n. 360) 322. See also H. Johnson, 'The Protection Of Trademarks' *Managerial Law* 33(6) 1991, 17.

[308] J. Wilks et al., 'The Renewed Threat of Genericism' 235 *Managing Intell. Prop.* 57 2014, 58.

[309] See T. Cojanu, 'Revocation of Registration - European Means of Protecting Trademarks' 2015 *Conf. Int'l Dr.* 357 2015, 360.

[310] Coverdale (n. 292) 879.

[311] See Figure 7 in Appendix.

[312] S. L. Dogan et al., 'A Search-Costs Theory of Limiting Doctrines in Trademark Law' 97 *Trademark Rep.* 1223 2007, 1246.

[313] B. W. Pattishall, 'The Dilution Rationale for Trademark – Trade Identity Protection, its Progress And Prospects' 71 *Nw. U. L. Rev.* 618 1976-1977, 629.

[314] Maniatis (n. 338) 128.

[315] For the limits on property in general see S. Davidson, 'The Limits of Property and Freedom' 15 *Int'l Trade & Bus. L. Rev.* 385 (2012), S. E. Marshall, 'Refining the Constitutional Limits on Governmental Regulation of Private Property' 30 *Willamette L. Rev.* 817 (1994). For arguments that support that property rights should be absolute see R. P. Burns, 'Blackstone's Theory of the Absolute Rights of Property' 54 *U. Cin. L. Rev.* 67 (1985) and F. Facchini, 'Complex Individualism and Legitimacy of Absolute Property Rights' *E.J.L. & E.* 2002, 13(1), 35-46.

[316] Lunney (n. 289) 417.

marks produce a monopoly is eased by the fact that the rights conferred by a trade mark are limited in the ways examined in this section.

In conclusion, since it is the communicative aspects of trade marks that constitute the subject matter of trade marks as objects of property, this thesis argues that the theoretical justification of trade marks as objects of property should be examined separately from the property rights conferred by copyrights and patents. With the wider aim of examining the way in which tobacco plain packaging legislation interferes with the property status of tobacco trade marks, the next section analyses Locke's labour theory and attempts to apply it to the communicative aspects of trade marks.

3.3 Locke's Labour Theory on Trade Mark Law

This section examines the theoretical justification of trade marks as objects of property. The analysis of the theoretical justification of property in trade marks provides a better understanding of the nature of the property rights tobacco plain packaging legislation interferes with. In particular, this section analyses Locke's labour theory, and by comparing Maniatis' and Wilf's applications of it, concludes that in relation to trade marks, the labour performed is in the form of the marketing practises with the aim of creating goodwill. Therefore, this outcome is used to explain that with this theoretical perspective, the restrictive provisions of tobacco plain packaging legislation aim to affect this labour and hence examine how they affect trade marks as objects of property.

3.3.1 Putting Locke's Labour Theory into Context among other Property Theories

John Locke's justification for property[317] is widely accepted by trade mark law Scholars that appropriately justifies trade marks as objects of property.[318] Locke's labour theory, in essence, suggests that property should be awarded for the labour employed on a particular thing. Before examining Locke's labour theory and its application to the justification of trade marks as objects of property, a brief overview of several other property theories, dating from before and after Locke's theory, is provided.

It is true that 'property' is not found in nature; it is a 'social creation' and 'a function of utility'.[319] Aristotle argues that by property we mean 'all substances whose worth is measured by money.'[320] He explains that the convention of money is a creation of regulation that is used to make comparable things which are exchanged.[321] By using money to define property, Aristotle emphasises the fact that property, like money, is a legal creation. Criticising Socrates' view on communal ownership, Aristotle argued that a community can remain unified by education while keeping property private. For Aristotle, communal ownership generates disagreements about inequalities in relation to the work one does and the profits he enjoys. With private ownership these disagreements are minimised. St Thomas Aquinas agrees with Aristotle that with common ownership, more disputes arise and he also adds that with common

[317] J. Locke, *The Second Treatise of Government* (Basil Blackwell, Oxford, Third Edition, 1956 (1690)) Chapter five Property.

[318] See for example J. Hughes, 'The Philosophy of Intellectual Property' 77 Geo. L. J. 287 1988-1989, 297, C. Colston, *Modern Intellectual Property Law* (Routledge, 2010, Third Edition), 45, D. Marlan, 'Trademark Takings: Trademarks As Constitutional Property Under The Fifth Amendment Takings Clause' 15 *U. Pa. J. Const. L.* 1581 2012-2013, 1617, C. Davies, 'A Scandalous Affair: The Disparity in the Application of Morality to Trade Marks, Patents and Copyright' *E.I.P.R.* 2012 34(1) 5, R. P. Merges, Justifying Intellectual Property (Harvard University Press, 2011) 32, Jeremy N. Sheff, Marks, Morals, and Markets, *65 Stan. L. Rev.* 761 2013, 768, J. Davis, *Intellectual Property Law* (Oxford University Press, 2012) 6.

[319] D. M. McClure, 'Trademarks and Unfair Competition: A Critical History of Legal Thought' 69 *Trademark Rep.* 305 1979, 326.

[320] Aristotle, *The Nicomachean Ethics, Book V, Translated with Commentaries and Glossary by Hippocrates O. Apostle* (D. Reidel Publishing Company, 1975 (349 BC)) 57.

[321] *Ibid*, 88. 'A coin, like a measure, by making goods measurable by the same unit, makes their equalization possible; for neither would an association of men be possible without exchange, nor exchange without equalization, nor equalization without measurement by the same unit'.

ownership, common tasks would be left to the next man.[322] Therefore, Aristotle's view is that private property 'would encourage people to attend to their own affairs rather than unduly interfering in the affairs of others.'[323] This would mean that one's profit depends on the amount of work done on one's own property.

When it comes to trade marks, by protecting their essential function and by providing the exclusive right to use the particular trade mark, the law safeguards the private use of trade marks. Therefore, no trade mark is a common trade mark. However, Aristotle's emphasis that money and, hence, property, are social creations is important because trade marks are also social creations. An application of any justification of property to trade marks must take into account that the use of trade marks is a social convention.

Aristotle, in addition to his opposition to the common ownership of property, explains that private ownership gives us the pleasure of helping friends, guests, or companions, something that is not possible when everything is owned by everyone. Accordingly, he argues that the pleasures of private ownership of property emanate from our natural self-love.[324] He therefore suggests that natural self-love can justify private ownership and that common ownership would deprive one of the pleasure of owning possessions. However, the pleasure of owning was not considered a satisfactory justification for property. Centuries after Aristotle, Locke suggested that property can be justified by the labour invested in previously un-owned things.

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[322] J. M. Kelly, *A Short History of Western Legal Theory* (Oxford University Press, 1992) 151, citing St Thomas Aquinas, The Summa Theologica (1485), S. Th. 2a 2ae 57. 2. 'because everyone is more concerned with the obtaining of what concerns himself alone than with the common affairs of all or of many others: for each one, avoiding extra labour, leaves the common task to the next man; as we see when there are too many officials.'

[323] A. Bellt et al., 'A theory of Property' *90 Cornell L. Rev.* 531 2004-2005, 541, citing Aristotle, *The Politics* 5, at 25-29 (Stephen Everson ed., 1988).

[324] Aristotle, *Politics, Book II*, Translated by C.D.C. Reeve (Hackett Publishing Company, 1998 (349 BC)) 33. 'To regard a thing as one's own makes an enormous difference to one's pleasure. For the love each person feels for himself is no accident, but is something natural.'

Locke's theory of property is founded on two main suggestions.[325] The first is that God has given the earth and the nature to mankind in common; the second is that 'every man has a property in his own person'.[326] From this second suggestion derives the main ingredient of Locke's theory, namely one's *labour*. Since one has a property in one's own person, one should also own one's own labour. The argument goes that when someone removes something from the state of nature and applies to it their labour, they make this thing their property. According to Locke, private possessions are necessarily introduced because the condition of human life requires labour and materials to work on.[327]

Although, according to Locke's theory, not all commoners must give their express consent for this taking,[328] one can appropriate only what one needs because '[n]othing was made by God for man to spoil or destroy'; only what one can use ('till, plant, improve, cultivate and use the product of') should be appropriated.[329] He therefore argues that if one uses what they need, this will not harm mankind, and will leave sufficient resources for their peers.[330]

[325] For an analysis on how Locke defines property see A. J. Simmons, *The Lockean Theory of Rights* (Princeton University Press, 1992) 228, 'Locke uses the word property to refer simply to all of our rights'.
[326] Locke (n. 317) 25, 27.
[327] *Ibid*, 35, 42. 'Bread is more worth than acorns, wine than water, and cloth or silk than leaves, skins or moss, that is wholly owing to labour and industry; the one of these being the food and raiment which unassisted nature furnishes us with; the other, provisions which our industry and pains prepare for us; which how much they exceed the other in value when any one hath computed, he will then see how much labour makes the greatest part of the value of things we enjoy in this world.'
[328] See J. Tully, *A Discourse on Property: John Locke and his Adversaries* (Cambridge University Press, 1980) 175, 'The fundamental and undifferentiated form of property is the natural right and duty to make use of the world to achieve God's purpose of preserving all his workmanship. A commonwealth which arranges men's action accordingly is the complementary kind of society.'
[329] Locke (n. 317) 28, 31, 32.
[330] *Ibid*, 33, '[The] appropriation of any parcel of land, by improving it, [is not] any prejudice to any other man, since there was still enough, and as good left; and more than the yet unprovided could use. For he that leaves as much as another can make use of does as good as take nothing at all. No body could think himself injured by the drinking of another man, though he took a good draught, who had a whole river of the same water left him to quench his thirst; and the case of land and water, where there is enough of both is perfectly the same.'

Furthermore, Locke writes that the notion that one can make one's property more that they need is introduced for two reasons.[331] The first one is that there is 'land enough in the world to suffice double the inhabitants',[332] and there is therefore enough for one to own even if they do not need it.[333] Though wasting this property would be useless and dishonest, since there is enough land, if the use was not going to waste it, there could be an honest and productive way to use it.

The second reason is the invention of money and the recognition of the value attached to it by all. With the aid of the convention of money, one can hire someone else to work this land or can exchange products with other products: 'if he also bartered away plums that would have rotten in a week, for nuts that would last good for his eating a whole year, he did no injury'.[334] However Locke also underlines that since money could be owned by someone without the imminent need to use it, this justifies the possession of property more than one needs.[335]

Therefore, a summary of Locke's labour theory is as follows. In the state of nature everything is owned in common. One's labour creates proprietary rights and thus ownership of the property. One shall only use something if they need it or if are

[331] See commentary in J. Tully, *An Approach to Political Philosophy - Locke in Contexts* (Cambridge University Press, 1993) 128.
[332] Locke (n. 317) 36.
[333] For further discussion see A. Ryan, 'Locke and the Dictatorship of the Bourgeoisie' 13 *Political Studies* 219 (1966).
[334] Locke (n. 317) 46.
[335] *Ibid*, 50. '[S]ince gold and silver, being little useful to the life of man in proportion to food, raiment, and carriage, has its value only from the consent of men, whereof labour yet makes, in great part, the measure, it is plain, that men have agreed to a disproportionate and unequal possession of the earth; they having, by a tacit and voluntary consent, found out, a way how a man may fairly possess more land than he himself can use the product of, by receiving in exchange for the overplus, gold and silver, which may be hoarded up without injury to any one; these metals not spoiling or decaying in the hands of the possessor. This partage of things in an inequality of private possessions, men have made practicable out of the bounds of society, and without compact, only by putting a value on gold and silver, and tacitly agreeing in the use of money.' For an analysis of the use of money in Locke's theory of property see C. B. Mackpherson, *The Political Theory of Possessive Individualism* (Oxford University Press, 1962) 204, '[T]he introduction of money removes the limitations inherent in [Locke's] initial justification of individual appropriation'.

planning to exchange it with other products or money. How Locke's labour theory is applied to trade marks is discussed in the next section.

After Locke, more property theories emerged. For example, Rousseau saw the individual appropriation of the world's resources as the origin both of civil society and of vice. He argued that many crimes and wars would be avoided if we all agreed that 'the fruits of the earth belong equally to us all, and the earth itself to nobody'.[336] However, it is Hegel's property theory that has been most notably compared to Locke's in relation to intellectual property. Although it has been suggested that Hegel's personality theory is wholly distinct to Locke's labour theory,[337] Maniatis argues that Hegel's theory completes Locke's theory. The reasoning behind this argument is that Hegel suggests that it is one's labour that brings out his 'creative and intelligent capacities'.[338]

Hegel offers a property theory that relies on the premise that every person, as a natural existence, has an 'external sphere of freedom' dictated by 'infinite will',[339] and property assists the realisation of personal freedom. Therefore, according to Hegel, property merely serves personal individual will.[340] According to Hegel, objects are thus not owned by anyone, unless claimed by someone.[341] When claimed, society must recognise these claims of possession and when this happens, possessions become property. In that way, property allows people to achieve 'self-actualization'.[342] When it comes to the use of the Hegelian theory for the justification of trade marks as objects of property, Maniatis explains the realisation of the personality required by the Hegelian theory takes place

[336] J. J. Rousseau, *A Discourse Upon the Origin and Foundation of the Inequality Among Mankind* (Printed for R. and J. Dodsley in Pallmall,1761 (1754)) 97.
[337] J. L. Schroeder, 'Unnatural Rights: Hegel and Intellectual Property' 60 *U. Miami L. Rev.* 453 2005-2006, 459: 'Hegel's account of property is completely diverse from Locke's. Any attempt to read Hegel from a Lockean perspective is doomed to failure.'
[338] S. Maniatis, 'Trade mark rights – A Justification Based on Property' *I.P.Q.* 2002 2, 153.
[339] G.W.F. Hegel, *Philosophy of Right* (Batoche Books, 2001 (1820)) 55, 41.
[340] *Ibid*, 44. 'A person has the right to direct his will upon any object, as his real and positive end. The object thus becomes his. As it has no end in itself, it receives its meaning and soul from his will. Mankind has the absolute right to appropriate all that is a thing.'
[341] *Ibid,* 52.
[342] Bellt (n. 323), 542.

when the sign can indicate trade origin.[343] With the essential function in place, signs can become trade marks and thus, the registration of trade marks brings them into the personality dimension.[344] However, with the use of the Hegelian theory the need for justification of the registration and adoption of signs as trade marks in terms of the labour used remains.

Following Hegel, Bentham suggests that property is a basis of 'the expectation of deriving certain advantages from a thing which we are said to possess, in consequence of the relation in which we stand towards it.'[345] He explains that in order to enjoy these advantages, people should have a mutual respect for each other's property, and that this principle of respect can only come under law. Therefore, he argues that property can only exist with law:

> 'Property and law are born together, and die together. Before laws were made there was no property; take away laws, and property ceases. As regards property, security consists in receiving no check, no shock, no derangement to the expectation founded on the laws, of enjoying such and such a portion of good. The legislator owes the greatest respect to this expectation which he has himself produced. When he does not contradict it, he does what is essential to the happiness of society; when he disturbs it, he always produces a proportionate sum of evil.'[346]

Bentham therefore argues that since property is the creation of law, it is through law that the legislator can interfere with the enjoyment of a particular property. In other words, law has the power to alter any property rights, just as it created property in the

[343] Maniatis (n. 338) 163-165.
[344] Ibid.
[345] J. Bentham, *Theory of Legislation*, translated by R. Hildreth (William Stevens Printer, London 1915 (1882)) 112.
[346] *Ibid,* 113.

first place.[347] In the same way that we gain advantages from the protection of property under Bentham's theory, we also gain advantages from the protection of trade marks. For example, by protecting the exclusive use of trade marks, trade mark law protects the essential function of trade marks to indicate trade origin undisturbed by other uses. Therefore, the protection of trade marks and their recognition as objects of property depend on the law, and the law can alter this protection accordingly.

In conclusion, property is a 'social institution' about the relationship between humans and objects and its legal regulation is fundamentally necessary.[348] From the various theories of property that emerged throughout time, this thesis identified that Locke's labour theory is mainly used to justify trade marks as objects of property; especially Maniatis' and Wilf's work as discussed below. Therefore, with the aim to identify the theoretical justification of trade marks as objects of property and examine it in the light of the restricting provisions of tobacco plain packaging legislation, this section turns to examine the application of Locke's theory on trade marks.

3.3.2 The Application of Locke's Labour Theory on Trade Mark Law

This section explains how Locke's theory is used to justify trade marks as objects of property.[349] When writing the justification for owning property, Locke considered both real and intangible property. The analysis of Locke's theory in relation to real property and the political theories that derive from it are outside the scope of this thesis. However, Locke's theory, as it was presented to academia two centuries ago, was used widely in search of a justification for trade marks as objects of property.[350] This section examines this theory's application to trade marks, along with examination of the input

[347] See also A. Mossoff, 'What Is Property? Putting The Pieces Back Together' 45 *Ariz. L. Rev.* 371 2003.
[348] D. Lametti, 'The Concept Of Property: Relations Through Objects Of Social Wealth' 53 *U. Toronto L.J.* 325 2003, 332.
[349] See also J. W. Child, 'The Moral Foundations Of Intangible Property' *The Monist* 73(4) 1990 578-600.
[350] See (n. 318).

of various Scholars. The relevant questions to consider in applying Locke's theory to the recognition of trade marks as objects of property are the following:

(1) What is state of nature in relation to trade marks?
(2) When do people need a trade mark and how do they leave others with 'enough and as good'?
(3) What is labour in relation to the creation of trade marks?

3.3.2.1 State of Nature

The state of nature of tangible things is what one can find on Earth; what, according to Locke, God gave use of. However, when applied to trade marks, Locke's theory leaves us without guidance; only analogies may be drawn. In order to find the state of nature of trade marks, one must ask what a trade mark is, as no such thing exists in nature. A trade mark is a man-made mechanism which serves another conceptual invention, trade, and as such, when people started trading, the need for the existence of trade marks was created.[351] Therefore the state of nature of trade marks is in the need of civil societies to find a way to indicate a trade origin.[352]

Imagine, for example, in a hypothetical village of three families that have no interaction with the rest of the world, the first family bakes bread, the second farms poultry and the third produces wine. With their consent, these three families can share poultry, bread and wine; and as a result no trade marks are needed in this imaginary village. Now, imagine a box of 12 McNuggets appears in this village. What will the McDonald's trade

[351] See E. S. Rogers, 'Some historical Matter Concerning Trade-Marks' 9 *Mich. L. Rev.* 29 1910-1911, 39, 'When trading was face to face, the purchaser of a commodity dealing directly with the producer, a trade mark was not used because none was necessary. The purchaser necessarily knew whose product he bought. The minute, however, that a particular maker, by the excellence of his manufacture, acquired a reputation outside of his immediate locality, in order to visualize and perpetuate that reputation, he adopted and used a mark to distinguish his product from others.'
[352] For a similar argument see S. Wilf, 'Who Authors Trademarks?' 17 *Cardozo Arts & Ent. L.J.* 1 1999, 31: 'While real property may or may not be found in a state of nature, I would argue that intellectual property is always a product of civil society.'

mark mean to them? It could mean anything but one thing; a trade mark. People with no concept of trade simply could not understand the meaning or scope of a trade mark.

Returning to reality, one could argue that the state of nature of trade marks resides in signs and language. Drawn or carved trade marks have been used from the very first societies that traded products, and as such, any possible drawing or engraving can be considered the natural state of trade marks.[353] One might suppose that another natural state of trade marks could include all words within a vocabulary, or all words created with the combination of any letters of an alphabet.[354] However, a drawn sign without any connotation of indication of trade origin is nothing but a drawing. Along the same lines, a word with no connotation indicating trade origin is just a word, and any other sign without the connotation of indication of origin remains a meaningless sign.

Therefore, the natural state of trade marks is very different from that Locke described in relation to tangible property. Locke's theory describes the relationship between nature and humanity. One must use the raw material of Earth for survival, however this is not the case with trade marks. This thesis argues that the natural state of trade marks exists only in a given civil society where trade takes place and signs are used to indicate trade origin. Today, in all developed societies, the definition of a trade mark is prescribed by law. Under this theoretical framework the relationship described is between the individual and their acceptance of the rules of trade. Therefore, if a natural state of trade marks exists, it is only in the consent given by all in a given civil society to follow the rules of trade.

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[353] See A. S. Greenberg, 'The Ancient Lineage of Trade-Marks' 33 *J. Pat. Off. Soc'y* 876 1951, 876. Greenberg provides the example of cattle branding to denote ownership, recorded in the Bible: 'The present day practice of branding animals employs this biblical 'brand,' for the animal brand tells all men to keep hands off the particular animal. The cattle of Jacob and the cattle of Laban were distinguished by such brand signs or marks. (Genesis 30:33). The brand mark meant: To all whom it may concern, I belong to Jacob (or Laban).'

[354] See also, S. Diamond, 'The historical Developments of Trademarks' 65 *Trademark Rep.* 265 1975, 267. Diamond suggests in the periods before the use of written language and later periods when people were mainly illiterate, the use of trade marks could only take the form of 'designs', as opposed to words.

3.3.2.2 The two Lockean Provisos

Locke's theory of property comes with two provisos. As seen above, the first is that no appropriated property should be wasted. In relation to trade marks, this would mean that no trade mark appropriated should be left unused. In reality, legal rules make sure that this proviso is in place; a trade mark must be use in trade to remain valid. As discussed above, if a trade mark is not used for five consecutive years, it is subject to sanctions.[355]

The second one is the 'enough and as good' proviso. The appropriation of a trade mark should leave the commons with enough other trade marks for other traders to use. In relation to this proviso, it is important to underline that what is protected is the connotation of the particular sign. In other words, proprietary rights indicate the connection between the sign and the product. Since the natural state of trade marks lies in the civil society, the law in this society sets the rules. Those in a given civil society understand that when they give meaning to a sign, can seek to appropriate the connotational rights of this sign.

By analogy, it is this proviso which allows the registration of the same word in relation to different industries or jurisdictions.[356] McKenna suggests that trade mark proprietors should only acquire proprietary rights (and therefore the right for a claim against illegitimate interferences) for markets in which they have exerted labour and through such efforts obtained custom.[357] Only then can the second proviso of the Lockean theory would be satisfied.[358]

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[355] See (n. 297) and accompanied text.

[356] For example, the word 'apple' is registered for Apple Inc. (American technology company), Apple Corps Ltd (British multimedia company), Apple Bank for Savings (American Bank) and Apple Leisure Group (American hospitality company).

[357] M. P. McKenna, 'The Normative Foundations of Trademark Law' *Notre Dame L. Rev.* Vol. 82 No. 5 2007, 1889.

[358] See also Maniatis (n. 338) 151: 'The development of the idea--expression distinction dichotomy would serve as an excellent tool to envisage the commons before and after the appropriation. The idea remains

3.3.2.3 The Labour in Locke's Theory

The interpretation of labour in relation to the creation of proprietary rights on trade marks plays the most important role on the justification of these rights, since the investment of labour is the mainstay of Locke's justification of property. In this section, the arguments concerning why labour should create property are discussed and Wilf's and Maniati's interpretations of the Lockean labour theory in relation to trade marks are examined.

Widerquist argues that at least five justifications for property exist in Locke's theory.[359] These justifications are used as navigators to examine how they could be interpreted in relation to trade marks as objects of property. The first justification is that since a person owns their labour, the product of the application of this labour to an un-owned thing causes it to fall into the ownership of this person. Under this interpretation, labour extends ownership to the un-owned thing; the reason that someone should own the thing is because they owned the labour invested in it. This is the simplest interpretation of Locke's theory, which is based on the very first proviso, that one owns one's labour. When labour in relation to trade marks is defined, this interpretation could be used for the justification of property in trade marks.

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in the common pool of knowledge, property rights are attributed to each expression and the expressions that incorporate new ideas are split, permitting the return of the idea-section to the commons whilst leaving the individual expression within the property sphere of the creator. Apparently the carving of ideas - expressions facilitates the creation of new ideas, since the commons is always augmented either directly after the expiration of intellectual property rights or indirectly. Property rights in patents and copyrights can be described as long leases whereas trade secrets can last indefinitely but their property status is uncertain since they lack public assertion. This is not the case with trade marks because they can be protected indefinitely. Trade marks rights should be limited only to the extent that are used in the course of trade. In principle use not in a trade mark sense should not fall within the property exclusion zone and equally protection should temporally coincide with the actual use of the trade mark by the proprietor. So it is submitted that if we accept the Lockeian criterion of labour then the granting of property rights will not drain the world of ideas but to the contrary will enrich it to the extent that the "enough and as good condition" is satisfied.'

[359] K. Widerquist, 'Lockean Theories of Property: Justifications for Unilateral Appropriation' *Public Reason: Journal of Political and Moral Philosophy* Vol. 2 No. 1 June 2010 3, 6.

Another justification is that the person who labours on a particular property owns that property because without this labour, the property is a natural resource with little or no value. It is argued that this justification is irrelevant to trade marks as objects of property; a sign left without an association with a product or a service is not left with little or no value.

The third justification is that the labourer should own the property they laboured on because the value added to that property is a result of their pains. In the context of this justification, while examining labour, Hughes suggests that one understanding of labour is under the notion of avoidance. Under this understanding, labour is defined as 'unpleasant activity not desirable in and of itself and even painful to some degree'.[360] Therefore, he delineates two different propositions for why labour should be protected. The first is that since labour is unpleasant, it should be rewarded with property. The second is that labour should be rewarded with property as a motivation to people to perform labour. He comments that the second suggestion takes into account the effects of creating such labour, whereas the first merely describes a moral imperative. Furthermore, he suggests that the reward for labour should be justified in the production of added social value:

> '[W]hen labor produces something of value to others – something beyond what morality requires the laborer to produce – then the laborer deserves some benefit for it. The '[added value]' theory asserts that labor often creates *social* value, and it is this production of social value that 'deserves' reward, not the labor that produced it.'[361]

In other words, Hughes suggests that labour with no worth cannot reward property rights. Therefore, the value created from the labour is the reason proprietary rights are

[360] J. Hughes, 'The Philosophy of Intellectual Property' 77 *Geo. L. J.* 287 1988-1989, 303.
[361] *Ibid*, 305.

given.[362] In relation to trade marks, Maniatis suggests that 'what is worth stealing may be worth protecting but what is worth protecting is not always property.'[363] As such, when it comes to the justification of labour in relation to trade marks, this thesis argues that labour can add value to property. Only the first of the two propositions Hughes suggests can be satisfied in relation to trade marks, since no motivation to create trade marks can be justified for trade mark law.

The fourth justification is that ownership of a laboured property is an incentive to labour upon natural resources to create and access more resources, since labour improves natural resources. Alexandri suggests that no natural resources are improved by labouring on the creation of trade marks, since the labour of a trade mark creator is merely the action of 'conducting a marketing survey' as a unilateral act that gives rise to 'rights the whole world must respect'.[364] She argues that the only justification of the award of proprietary rights for trade marks is to support a contemporary information economy through the lowering of the costs companies incur.[365]

Under the fifth and final justification, a person that exercises labour upon a natural resource should own it since one is 'entitled to something like an unconditional right to produce their own subsistence'.[366] According to Port, the trade mark is the vehicle of inventiveness in marketing; as such, rather than considering property in the mark itself as the objective, successful inventiveness will bring success in business operations.[367] He argues that 'the reward for labour is not and should not always be property' because

[362] *Ibid*, 306.
[363] Maniatis (n. 338) 147.
[364] M. Alexandri, 'The International News Quasi-Property Paradigm and Trademark Incontestability: A Call for Rewriting the Lanham Act' 13 *Harv. J. L. & Tech.* 303 1999-2000, 356.
[365] See also S. Naresh, 'Incontestability and Rights in Descriptive Trademarks' 53 *U. Chi. L. Rev.* 953 1986, 986.
[366] Widerquist (n. 359).
[367] K. L. Port, 'The Illegitimacy of Trademark Incontestability' 26 *Ind. L. Rev.* 519 1992-1993, 560. See also A. Griffiths, 'Trade Marks Plus? The Role of Trade Marks in the Global Economy and the Danger of Over-Protection' *Liverp Law Rev* (2007) 28:107–141, 136.

manufacturers should 'actively compete', and not acquire proprietary rights on a trade mark and enjoy this unilateral act across the world.[368]

In conclusion, although Widerquist's five justifications of Lockean labour directly apply to real property, it seems that the first one best suits the discussion of labour in relation to trade marks (i.e. whoever invests meaning on a sign should be awarded the property rights of that sign). Although a difficult task and one that involves examination of trade marks on a theoretical basis, Maniatis and Wilf provide two such justifications in relation to the labour invested on trade marks, which are discussed and compared in turn.

3.3.3 Maniatis' Application of the Lockean Labour on Trade Marks

Maniatis suggests that with the following three steps one can comprehend the connection between the Lockean theory and the labour needed to create proprietary rights on a trade mark:[369]

(1) The esoteric stage of planning the creation of a trade mark.
(2) The stage of applying the trade mark and putting it on the market.
(3) The stage in which labour can be looked at from the angle of labour invested in building the goodwill that the trade mark symbolises.

According to Maniatis, the first stage of labour is the planning of the creation of a trade mark. The trade mark could be created in two ways. The first one is if the 'marketer' (as he names the person creating the trade mark) uses his or her own name. In that case,

> 'One may combine the use of a name, as part of one's own person, with the action of one's own labour and the result will be a persuasive Lockean argument for granting a property right to the name of the labourer not

[368] Ibid., 561.
[369] Maniatis (n. 338), 145.

only as an extension of her/his person but also as a necessary personification of her/his labour.'[370]

Using one's name as one's trade mark does not require labour in the planning of the creation of the trade mark. The name of the 'marketer' already exists. It is the 'personification' of the creator's labour in their business that should be considered.

However, besides using one's name, there is a second way of creating a trade mark. According to Maniatis, compared to the first this requires considerable additional investment and labour:

'Trade mark proprietors employ agencies, specialists, advertisers, designers – almost anyone and anything conceivable – in their attempt to create a trade mark that is meaningful and can capture the imagination of the consumer. Trade marks should be easy to learn and remember, suggest the product class or qualities, support a symbol or slogan, suggest desired associations, avoid undesired associations, be distinctive, available, and legally protectable. Often the result of such campaigns is commercially questionable, but, according to the Lockeian labouring standards, the effort invested to the mark-creation would be a sufficient cause to recognise property rights in the object of labour, the trade mark. What the trade mark creator is achieving with labour is simpler: s/he either isolates from the existing visual, acoustic, or any other sensory perceptible common wealth, appropriate words, sounds, designs etc. or composes, according to, again common, phonetic, artistic, acoustic, or other sensory methods a new sign which serves as a mark.'[371]

[370] *Ibid*, 146.
[371] *Ibid*, 145.

Therefore, either by using one's own name, choosing an existing sign or word, or creating a new one, the marketer needs a trade mark.[372] According to Maniatis, the second stage is to apply this trade mark to the product and put it on the market. At this second stage,

> 'the trade mark creator has appropriated and then, in a way, returned the mark to the commons, making them a richer place, because either a brand new addition has been made or a new connotation has been attributed to an existing part of the commons.'[373]

It is at this particular moment that proprietary rights are recognised as belonging to the 'new addition' – the new sign – or the new connotation of an already existing sign.

In this second stage, Maniatis underlines the importance of the use of a trade mark in trade. Since trade marks are destined to be used in trade, they have neither semantic nor monetary worth divorced from this use. He suggests that unlike any other consumable product, 'the societal value of an idea or information is multiplied in direct analogy to the occurrences of its use',[374] and therefore this exclusive and public use adds value to the trade mark.[375] However, he argues that what is appropriated is the specific distinctive connotation of a particular sign. The trade mark proprietor owns the exclusive right to use the particular sign in the course of trade in relation to a specified category of product. The importance lies in the link of this sign with the specified product rather than the sign itself.[376] In other words, it is the association of the trade

[372] In general see D. A. Aaker, *Managing Brand Equity - Capitalizing on the Value of a Brand Name* (New York, The Free Press, 1991).
[373] Maniatis (n. 338), 147.
[374] *Ibid*, 148. See also T. W. Dornis et al., 'Trademarks, Comparative Advertising, and Product Imitations: An Untold Story of Law and Economics', 121 *Penn St. L. Rev.* 421 2016, 452.
[375] See also E. Frankel Paul et al., *Liberty, Property, and the Foundations of the American Constitution* (State University of New York Press, 1989).
[376] Maniatis (n. 338), 145, 149.

mark with the product in the mind of the consumer that is protected, and not any possible use of the sign.

Maniatis' third stage is a descriptive one, and does not require an active effort from the trade mark creator. In this stage, it is suggested that the labour described in the previous two stages can be looked at from the angle of labour invested in building the goodwill that the trade mark symbolises. According to Maniatis, goodwill serves as 'evidence' of labour in trade marks.[377] Since the value of goodwill is recognised as an asset of a business, it is easier to use it to reflect all the trade mark creator's labour on it.

3.3.4 Wilf's Application of the Lockean Labour on Trade Marks

In his article 'Who authors trademarks?', Wilf argues that 'a labour theory argument would be strengthened by placing public authorship in the original position' and he suggests that the following three steps describe labour in relation to trade marks:[378]

(1) The stage where the labouring self is intermixed with others creating a cultural commons.
(2) The stage of associating a sign with an object.
(3) The stage of investing association with meaning (by the public as an interpretive community) and the creation of goodwill.

The three stages of attempting to create an analogy with Locke's theory aim to facilitate the main point of this article; that the association of an object with the sign is an act jointly exercised between the trade mark proprietor and the public. For Wilf, trade marks are different to real property because they have 'a special relationship to a

[377] *Ibid*, 147.
[378] Wilf (n. 352), 6.

collective cultural construction of the self'.[379] The personal self is a creature of culture and it depends upon externals and interactions with others in a civil society.[380]

According to Wilf, the state-of-nature commons in relation to trade marks is cultural or linguistic. The use of language and the meaning of signs are only facilitated if the people within a civil society intermix and give their consent to create this society. This mixing of selves creates a cultural commons. Wilf argues that the first stage of the creation of trade marks is the intermixing of the labouring self with others to create a cultural commons, for three reasons:

> 'First, already existing proprietary rights over the person mean an evolving self […]. This requires symbols from the cultural commons to place the self in relation to others. Second, language is always based upon association of word with object that requires consent […]. Third, while a state-of-nature commons can be appropriated for private use without the agreement of others, a commons in a civil society requires consent […]. Trademark is only found in the context of a civil society.'[381]

Therefore, without the intermixing of the labouring self, no trade mark can be created.[382] In the second stage, the trade mark producer (as he names one of the parties creating the trade mark) creates an association of the sign with the object by either placing the sign on the object as a label or by incorporating the sign into the object's overall design. Interestingly, in contrast with Maniatis, he comments that 'large

[379] *Ibid*, 25.
[380] *Ibid*, 29. 'The making of the personal self *requires* interaction with others mediated through external culture. Otherwise that self becomes stunted. Trademarks [...] allow the contextualization of the person with a broad social milieu. A contextual redefining of personhood is at risk if part of the commons is enclosed because of lost access to symbols (like trademarks) that place the self in relation to others.'
[381] *Ibid*, 28.
[382] In general see C. F. Alford, *The Self in Social Theory: A Psychoanalytic Account of Its Construction in Plato, Hobbes, Locke, Rawls, and Rousseau* (Yale University Press, 1991) which Wilf cites for part of his theory.

expenditure of intellectual labor is not required' to design a trade mark,[383] as he stresses that a trade mark is a matter of the association of a sign with an object. Therefore, the particular sign selected to become the trade mark makes no difference in Wilf's stages, because whatever the sign is, only the association matters.

The third stage requires the investment of meaning in the association between the sign and the product. The labour spent on this investment of meaning is the creation of the goodwill. According to Wilf, the creation of goodwill is a symbolic production which cannot be 'the result of a sole party's labor.'[384] This stage is therefore executed by the public, as they invest the association with meaning. For Wilf goodwill is 'an identification created by the public', or in other words, 'the willingness of a customer to continue doing business after the first transaction.'[385]

With his interpretation of the application of Locke's theory of property, Wilf stresses that both the trade mark proprietor and the public are the joint creators of the trade mark, and suggests the adoption of the 'Public Authorship Model'. However, further examination of this model is outside the scope of this thesis. The most relevant argument related to the purposes of Locke's theory is his suggestion that the third step of his application of the Lockean labour on trade marks is performed by the public.

Having explained Maniatis' and Wilf's application of the Lockean labour on trade marks, this section now turns to compare the two applications and attempts to examine whether the Lockean labour as the justification of trade marks as objects of property is affected by the restrictive provisions of tobacco plain packaging legislation.

[383] Wilf (n. 352), 11.
[384] *Ibid*, 32. See also M. A. Naser, 'Rethinking The Foundations of Trademarks' 5 *Buff. Intell. Prop. L.J.* 1 2007, 43.
[385] *Ibid*, 12, 11.

3.3.5 The Creation of Goodwill as the Lockean Labour in Relation to Trade Marks

Both Maniatis' and Wilf's applications of Lockean labour on trade marks are well-supported and backed up with logical assumptions, as seen above. Their three stages of labour follow the same order and the similar argumentation. For the purposes of this section, it is concluded that these two interpretations of Lockean labour in relation to trade marks as objects of property complement each other, and the summary of their examination is as follows. Trade mark proprietors do exert labour for the creation of the sign and its application in the market. In these two first stages, trade mark proprietors, with the aid of marketers, study the consumer to discover more efficient ways of penetrating a particular market, while the final stage is the creation of goodwill.[386] Therefore, Locke's theory as a justification of trade marks as objects of property is based on the fact that by accepting the rules of trade, people in contemporary civil society understand how trade marks work. Although Locke's theory was in relation to real property, it can be applied to trade marks by analogy. This section compares Maniatis' and Wilf's three stages of labour to conclude that the justification of trade marks as objects of property is the labour invested in trade marks for the creation of goodwill. Furthermore, this section examines whether tobacco plain packaging affects any of these three stages of the theory that justifies trade marks as objects of property.

Maniatis' first suggestion of the ways a trade mark is created (by using a person's own name as the sign for one's trade) is not addressed by Wilf. However, as discussed above, neither does Maniatis support the argument that the proprietor exerts any labour to create a trade mark formed in this way. Hence, in this case, the creation of the trade mark is the creator's labour in their business.

[386] This argument is also supported by others: 'A valid trademark is not something that just materializes into being. It is an investment chosen by a producer, who in turn nurtures it into an effective device for communicating brand and product information.' C. D. Nichols et al., 'Trouble in Trademark Law: How Applying Different Theories Leaves Door Open for Abuse' 17 *SMU Sci. & Tech. L. Rev.* 1 2014, 28.

Although Wilf fails to set as the first stage the planning of a trade mark, as Maniatis does in his second proposed way of creation of a trade mark, he proposes a first stage which arguably results in the same conclusion. Without further discussing how the sign is created, Wilf merely suggests that the trade mark creator should intermix with others to create a cultural commons. According to his theory, the trade mark is born from the process of intermixing the labouring self with others. On first impression, this departure point may lead to the conclusion that eagerness to suggest public authorship of trade marks implies that he does not want to accept that the first stage of labour comes from someone drawing or drafting the sign.

However, on closer consideration, a wider interpretation of this concept of intermixture pins labour on the labouring self (i.e. the trade mark creator). By taking the role of active participation in the creation of the cultural commons, the trade mark creator both gives *and* takes. On the one hand, he provides within the commons by taking a position in relation to language, rules of conduct and culture. On the other hand, the creator apprehends the views of others in relation to the positions taken. It is therefore identified that the difference between the two interpretations' starting points is that Maniatis pins the labour on a parade of professionals whose job is to intermix with others, and Wilf's pins this labour on a general 'labouring self'.

Irrespective of this difference, it is argued that tobacco plain packaging legislation does not affect the first stage of labour as explained by both Maniatis and Wilf. Under tobacco plain packaging, the use of word marks in a standardised way and the registration of trade marks in relation to tobacco products is permitted. As a result, tobacco companies can still invest in the creation of trade marks that can be used on tobacco products. In their planning they must take into account the provisions of tobacco plain packaging legislation and create a trade mark that can be both 'meaningful' and able to be used on the tobacco packaging.

The second stage of labour for both Maniatis' and Wilf's theories is the application of the trade mark to the product and their associations. They both underline the fact that at this point the trade mark creator aims to create a distinctive connotation between the sign and the product. It is argued that tobacco plain packaging legislation does not prohibit the creation of this distinctive connotation between a tobacco trade mark and a product since tobacco companies can still attach their word marks on the packaging of tobacco products. However, the fact that the trade marks created are presented in a standardised way and are not combined with figurative trade marks, make the creation of the association of the sign with the particular tobacco product more difficult.

Both Maniatis' and Wilf's final stages, also, are aligned, and focus on the creation of goodwill. For Wilf, goodwill is created by the public, whereas Maniatis argues that goodwill is the reflection of the proprietor's labour. This deviation of views reflects the general confusion in relation to the creation of goodwill, but as discussed in a later next section, goodwill requires both the trade mark proprietor's investment in promotional communications and the public's input. When considering the creation of goodwill, this thesis argues that the restrictive provisions of tobacco plain packaging legislation make it more difficult for the trade mark proprietor to create and maintain goodwill. Although the goodwill that was developed before the adoption of tobacco plain packaging legislation may not be immediately affected, the development of future goodwill will suffer. In the same way that the investment of meaning is impeded in the second stage, the creation of goodwill symbolised by newly created trade marks is affected by the restrictive provisions of tobacco plain packaging legislation. Therefore, the next section defines goodwill, its relation to trade marks and the way it may be affected by the restrictive provisions of tobacco plain packaging legislation.

3.4 Goodwill and Tobacco Plain Packaging Legislation

The previous section concluded that the justification of trade marks as objects of property is the labour invested in trade marks for the creation of goodwill and that the restrictive provisions of tobacco plain packaging legislation may affect the goodwill of tobacco companies. Therefore, this section attempts to define goodwill, explains its importance in the property rights recognised in trade marks and examine whether the standardisation of tobacco packaging under tobacco plain packaging legislation can affect existing and newly developed goodwill.

3.4.1 Defining Goodwill

Although defining goodwill is a more difficult task as explained below, defining its value seems to be an easier task. For example, the EU Accounting Regulation 2013 gives the following definition for the value of goodwill:

> 'The value of goodwill and marketing assets is the difference between the value paid for an enterprise as a 'going concern' and the sum of its assets less the sum of its liabilities. To calculate the total value of assets less liabilities, each individual asset and liability is separately identified and valued. Goodwill is only recorded when its value is evidenced by a market transaction, for example by the sale of the whole corporation. Where identified marketing assets are sold individually and separately from the whole corporation, such sale is recorded under this item.'[387]

Essentially, the value of goodwill according to the rules of accounting appears in the accounting books only when a corporation is sold. When this transaction takes place,

[387] Regulation (EU) NO 549/2013 of the European Parliament and of the Council of 21 May 2013 on the European system of National and Regional Accounts in the European Union, Annex A, Chapter 3 Transactions in Products and Non-Produced Assets, 3.192- 3.193.

there is a value which does not fall into the assets or liabilities of the corporation; this is the goodwill. What the value of goodwill is in every case depends on the market value of the corporation and value ultimately paid. If the market value is lower than the difference between the assets and the liabilities, a negative goodwill is generated.

For the purposes of the definition of goodwill, the Accounting Regulation associates goodwill with 'marketing assets'. Marketing assets are the various types of marketing investments that can increase the value of goodwill.[388] The value of marketing assets is calculated together with the value of goodwill in the way described above. This is the case since the increase of goodwill is an ongoing operation and requires constant effort. Therefore, the company's extra value upon sale is the value of goodwill and marketing assets which exist to increase the value of goodwill.

As a result, although accounting can help us define the value of goodwill, it cannot help us define goodwill itself.[389] Bone argues that accounting definitions of the value of goodwill are, as such, of little help to the legal approach to property rights, which itself impacted the ability to conceptualise trade marks and goodwill as property.[390] Furthermore, the value of goodwill does not help with the understanding of the relationship between trade marks and goodwill and the justification of trade marks as objects of property. As such, this thesis now attempts to define the elements that constitute goodwill irrespective of the way goodwill is valued in accounting.

[388] For example advertising, information systems and customer services. See R. M. S. Wilson, 'Accounting for Marketing Assets' *European Journal of Marketing* Vol. 20 Iss 1 51-74.

[389] L. A. Heyman, 'The Law of Reputation and the Interest of the Audience' 52 *B.C. L. Rev.* 1341 2011, 1355, 'Accountants will typically describe goodwill by what it is not rather than by what it is: as the excess of a company's worth over the value of its tangible assets or, put differently, what is left on the balance sheet once the value of those assets has been subtracted. (This description may help to value goodwill, but it does not prove very helpful in defining it.)'

[390] R. G. Bone, 'Hunting Goodwill: A History of the Concept of Goodwill in Trademark Law' 86 *B.U. L. Rev.* 547 2006, 584.

From the early years of the use of the term until the current day, scholars and judges have struggled to rigidly define goodwill.[391] It is argued that goodwill is fundamentally multi-faceted,[392] since it encompasses both the concrete and the more abstract advantages of a business. This multifaceted nature creates difficulties in defining goodwill. It has been explained that these definitional difficulties are logical because goodwill describes the abstract concept of consumer choice; and as customer choice is itself dependent on so many factors, any definition that attempts to cover them all will necessarily be vague.[393]

Although it is difficult to define it, many have attempted to describe goodwill and its means of creation. The following statement, given by Lord Macnaghten in 1901, is considered to be the earliest judicial description of goodwill:

> 'What is goodwill? It is a thing very easy to describe, very difficult to define. It is the benefit and advantage of the good name, reputation, and connection of a business. It is the attractive force which brings in custom. It is the one thing which distinguishes an old-established business from a new business at its first start. The good will of a business must emanate from a particular centre or source. However widely extended or diffused its influence may be, good will is worth nothing unless it has power of

[391] Goodwill is one of the three elements that should be considered under the English tort of passing off as per Lord Oliver of Aylmerton in *Reckitt & Colman Products Ltd. v Borden Inc. and Others*, [1990] 1 W.L.R. 491, 499. See also *Pete Waterman Ltd v CBS United Kingdom Ltd* [1993] E.M.L.R. 27 Ch 45, *Fenty v Arcadia Group Brands Ltd (t/a Topshop)*, [2013] EWHC 2310 (Ch) at 31; *Starbucks (HK) Ltd and another v British Sky Broadcasting Group and others (No 2)*, [2015] UKSC 31 at 25; *Jadebay Ltd / Noa and Nani Ltd (t/a The Discount Outlet) v Clarke-Coles Ltd (t/a Feel Good UK)*, [2017] EWHC 1400 (IPEC) at 55; *Henry Martinez T/A Prick, Henry Hate Studio & Prick Tattoo Parlour London Limited v Prick Me Baby One More Time Limited T/A Prick, Gynelle Leon*, [2018] EWHC 776 (IPEC) at 13.

[392] Columbia Law Review Comment, 'An Inquiry Into the Nature of Goodwill' 53 *Colum. L. Rev.* 660 1953, 686. Also, according to sections 24(1) and 24(6) of the UK Trade Marks Act 1994, goodwill is a marketable asset.

[393] Bone (n. 390) 570. Bone argues that there are four types of goodwill: product goodwill (favourable market response), brand goodwill (positive information about the brand), firm goodwill (positive impressions about the firm) and inherent goodwill (positive feelings about the mark).

attraction sufficient to bring customers home to the source from which it emanates.'[394]

This early description suggests that goodwill consists mainly of two elements. The first one is the good reputation of a business and the benefits and advantages of such reputation. The second one is the attraction of customers; patronage or 'trade expectancy'.[395] These are two different elements,[396] and both must exist to constitute goodwill.[397] Reputable businesses that do not attract customers do not acquire goodwill. An example of this is in cases where a business acquires reputation but fails to keep up with the new market landscape and therefore loses its customers to competition. In the same pattern, businesses that attract customers but have no reputation also lack goodwill. For example, these businesses may attract customers due to a kind of a geographical monopoly that forces customers to consume particular products or services. Therefore, both reputation and patronage must be in place for goodwill to exist.

[394] Per Lord Macnaghten, *Commissioners of Inland Revenue v. Muller & Co. Margarine*, [1901] AC 217, 223–224. See also Lord Macnaghten's arguement: 'Goodwill is composed of a variety of elements. It differs in its composition in different trades and in different businesses in the same trade. One element may preponderate here and another element there. […] The goodwill of a business is one whole, and in a case like this it must be dealt with as such.'

[395] E. S. Rogers, 'Freedom and Trademarks' 34 *Trademark Rep.* 55 1944, 56.

[396] See Heyman (n. 389) 1355: 'In the corporate setting, reputation is often equated to the concept of 'goodwill,' although commentators are not agreed on whether this is a precise overlap. Some commentators equate goodwill to a firm's reputation, characterizing the former term as deriving from law and accountancy and the latter term deriving from economics or other fields, while others define goodwill as a term that comprises an entire class of intangible assets, including reputation and intellectual property. […] Legal commentators, by contrast, often tie goodwill to consumer activity, characterizing it as the probability of repeat business. Although the possibility of repeat business may have a relationship to reputation, it is not coextensive.'

[397] H. MacQueen et al., *Contemporary Intellectual Property: Law and Policy* (Oxford University Press, 2011, Second Edition) 763: 'These definitions focus attention first on the existence of customers as the starting point for understanding the concept, and explaining goodwill as the composite of elements which lead to customers choosing to give their business to a particular trader, or to acquire that trader's product. Reputation as such is not enough; customers must be attracted to the business. For there to be protectable goodwill in a device, it must be established that in the relevant market there is an association between it and a particular trader or class of traders.'

In addition to the description of goodwill, Brown listed some of the factors and ways in which goodwill may be created as including elements like convenience, performance, nepotism, intimidation, and persuasiveness in advertising, and noted that such elements were beyond the scope of regulation. [398] Therefore, the quality of products, the location of a service or the overall qualities of product or service underlined by strategic branding are some factors that may create goodwill.[399] Furthermore, Brown suggests that '*legal* goodwill is a shorthand statement of a conclusion, not a tool for reaching a conclusion.'[400] In other words, being an abstract concept, goodwill cannot *itself* be examined in order to find whether a business has a reputation or whether it actually attracts customers. However, the existence of goodwill can merely prove that a business has reputation and is able to attract customers. Hence, goodwill can represent the relationship between the vital elements of a successful corporation, including the company as product source, the brand's identity and values, the positive regard customers hold for such values, and the company's place in upholding them.[401] Therefore, goodwill as the creation of reputation and patronage represents the outcome of the relationship between the consumer perception and interests of the corporation.

Good reputation and efficient patronage depend both on the perspective of the consumer and the activities of the corporation.[402] On the one hand, as Hayman puts it, reputation is an 'inherently consumer-based concept', and therefore cannot exist without the judgment of others.[403] This judgement is affected by the company's social responsibility stance, including any charitable giving, attitude to social issues, and

[398] R. S. Brown Jr, 'Advertising and the Public Interest Legal Protection of Trade Symbols' *Y.L.J* 57 7 Jun. 1948 1165-1206, 1199.
[399] For the definition and discussion on branding see chapter six.
[400] *Ibid*, 1200, emphasis added.
[401] R. Coombe et al., 'Trademarks, Property and Propriety: The Moral Economy of Consumer Politics and Corporate Accountability on the World Wide Web' 50 *DePaul L. Rev.* 597 2000, 212.
[402] See M. Chon, 'Trademark Goodwill as a Public Good: Brands and Innovations in Corporate Social Responsibility' 21 *Lewis & Clark L. Rev.* 277 2017, 313.
[403] Heyman (n. 389) 1357 and 1374.

approach to workplace practice.[404] Furthermore, patronage is otherwise described as 'favourable customer relations'; the 'customer's position as a preference'.[405] Therefore, the consumer's decisions about what to think about a particular corporation and whether to become a patron are of paramount importance for the creation of goodwill. On the other hand, corporations invest in marketing and, in particular, advertising in order to influence the consumer, build reputation, increase patronage and therefore create and maintain goodwill. Since the behaviour of the consumer remains of paramount importance, corporations constantly attempt to influence it.[406]

In conclusion, although challenging to define, goodwill is crucial. This section argues that by standardising word marks and prohibiting the figurative trade marks on tobacco products, tobacco plain packaging legislation may affect the goodwill of tobacco companies. However, before examining the way in which tobacco plain packaging legislation may affect the goodwill of tobacco companies, the next section explores the connection between goodwill and trade marks. In essence, the next section explains that the important role of goodwill forms the basis of trade mark property rights.

3.4.2 Goodwill as the Basis of Trade Mark Property Rights

From the 'heyday of advertising' in the late 19th century, marketing in general and advertising in particular have long been seen as vital machineries into which businesses invest money and energy.[407] These investments were arguably entitled legal protection. More specifically, investments in the creation of goodwill were considered to attract

[404] *Ibid*, 1356. See also G. Martin et al., *Corporate Reputations, Branding and People Management: A Strategic Approach to HR* (Elsevier Publishing, 2006) 51.
[405] Columbia Law Review Comment (n. 392) 665. See also S. A. Greyser, 'Advancing and Enhancing Corporate Reputation' in J. M. T. Balmer et al., *Revealing the Corporation* (Routledge, 2003), 234.
[406] See D. A. Aaker 'Managing Brand Equity Capitalizing on the Value of a Brand Name' (The Free Press, 1991) 20. See also the discussion of chapter six.
[407] F. I. Schechter, *The Historical Foundations of the Law Relating to Trade-Marks* (Columbia University Press, 1925) 168.

property rights.[408] However, since the abstract nature of goodwill (mainly consisting of two equally abstract concepts, reputation and patronage) wouldn't allow it to be recognised as an object of property, the property rights should be attached to something else. Trade marks were considered to be the next best thing to attach property rights to because of their ability to symbolise, store and create goodwill.

According to Schechter, 'trade-marks did not develop as valuable symbols of good-will so long as producer and consumer were in close contact'.[409] In earlier times, when people could only buy products and services directly from the producers, the concepts of goodwill, advertising and their relation to trade marks differed far more than today. At that time, consumer choice was based on factors like the location of the shop, pricing and reputation. Reputation was mainly attached to the producer rather than their business.[410] Therefore, since advertisements and trade marks had a limited effect, the notion of goodwill, which consists mainly of the concepts of patronage and reputation, was a completely different concept.

Today, the marketplace is governed by the 'anonymous source theory'.[411] According to Beebe, this theory was developed to meet a 'felt need'; that trade marks indicate a single but anonymous source with the prime aim of guaranteeing quality. The practical consequence of this theory is that consumers do not know who the actual producers of the vast majority of the products they consume are. Nichols suggests that as a result of that, trade marks appear to provide a quality guarantee and this guarantee gives value to trade marks, separate from and additional to the value of the product they are

[408] Bone (n. 390) 598.
[409] Schechter (n. 407) 129.
[410] Bone (n. 390) 575-576: 'In this world of local rural communities [prior 1860], goodwill tended to attach to individual persons or small shops. A town blacksmith or the owner of a local general store could develop goodwill if town residents respected the quality of the craftsmanship or appreciated the service they received. This is the clearest and least problematic kind of goodwill - goodwill as personal reputation.'
[411] B. Beebe, 'The Semiotic Analysis of Trademark Law' 51 *UCLA LAW REVIEW* 621 (2004), 678. See also D. R. Desai, From Trademarks to Brands, 64 *Fla. L. Rev.* 981 2012, 1009.

attached to.[412] Therefore, as was explained in the previous section, the concepts of advertising and goodwill and their relation to trade marks are of paramount importance for justifying the protection of trade mark rights.

It is argued that trade marks hold the potential to embody goodwill and to create it. Rogers characterises trade marks as having 'visible good will' in the sense that they can communicate it.[413] Once stored in trade marks, goodwill can be communicated to the consumers and activate the advertising function of trade marks.[414] Moreover, Schechter explains that trade marks are the most 'effective agent' for the creation of goodwill.[415] As is further analysed in chapter six, the trade mark is the central element of all commercial communications of a business and has the capacity to collect and store feelings and thoughts, and therefore to create goodwill. As a consequence, it is argued that 'the more effective the mark chosen to identify a product, the better the goodwill it likely creates'.[416] Since examination of what makes an 'effective' trade mark falls outside the scope of this chapter, it is sufficient to conclude that a distinctive trade mark with a strong underlying marketing strategy can operate as a goodwill generator.[417]

Bone argues that the goodwill is the 'locus of property rights' in trade marks, as everyone accepts that goodwill actually exists.[418] The recognition of property rights in goodwill and hence trade marks enabled the law to evolve in paths where confusion or deception were not pre-requisites. Examples of this include the legal protection against

[412] C. D. Nichols et al., 'Trouble in Trademark Law: How Applying Different Theories Leaves Door Open for Abuse' 17 *SMU Sci. & Tech. L. Rev.* 1 2014, 21.
[413] E. S. Rogers, 'The Lanham Act and the Social Function Of Trade-Marks' 62 *Trademark Rep.* 255 1972, 258.
[414] Brown (n. 398) 1199-2000. See also chapter five.
[415] F. Schechter, 'The Rational Basis of Trademark Protection' 40 *Harv.L.Rev.* 1927, 819.
[416] I. Calboli, 'Trademark Assignment 'With Goodwill': A Concept Whose Time Has Gone' 57 *Fla. L. Rev.* 771 2005, 809.
[417] See also A. Chronopoulos, 'Goodwill Appropriation as a Distinct Theory of Trademark Liability: A Study on the Misappropriation Rationale in Trademark and Unfair Competition Law' 22 *Tex. Intell. Prop. L.J.* 253, 2014, 266.
[418] Bone (n. 390) 571.

dilution.[419] With the protection of their goodwill as a 'policy tool', trade mark proprietors found themselves with more protection and therefore more power.[420]

The fact that it is the goodwill which attracts the property rights is important for trade marks to be able to capture goodwill. Carter argues that '[w]ithout goodwill, marks have no meaning, and the law has traditionally treated meaningless marks as unworthy of protection.'[421] Along the same reasoning, Port claims that '[m]ark holders do not possess a property right in the mark itself, because trademarks are nothing when devoid of the goodwill they have come to represent'. [422]

However, when used in the market, trade marks are able to exercise their essential function to indicate trade origin even without pre-developed goodwill. A newly-established trade mark may have no value but should be worthy of protection to give the trade mark proprietor the chance to develop goodwill and consequently value. For the reasons explained above, the capture of goodwill is a capacity of trade marks and not a function. Thus, a sign is a trade mark only when it exercises the essential function, to indicate trade origin. At the same time, all trade marks have the capacity to capture the goodwill of the business they represent. Trade mark protection is therefore offered to all trade marks, irrespective of whether they symbolise any goodwill or not.

Caboldi argues that the blurred lines between trade marks and their goodwill enabled goodwill to become a 'pillar of trade mark protection'.[423] This close relationship enabled the law to recognise goodwill's property rights in trade marks. Grynberg goes as far as to

[419] Nichols (n. 412) 20. See also M. Voiculescu, 'Clientele and Goodwill' *J.L. & Admin. Sci.* 532 2015.
[420] Calboli (n. 416) 806.
[421] S. Carter, 'The trouble with trademarks' 99 *Yale L.J.* 759 1989-1990, 762.
[422] Port (n. 367) 553.
[423] Calboli (n. 416) 803, 810, 'the difference between a mark and its goodwill continues to remain vague and difficult to assess in practice. Undoubtedly, a mark is something more than an expression of goodwill, and goodwill is something more than the intangible value of a mark. Yet, what this something more is, and whether goodwill and its trademark symbol can be separated, remain uncertain. See also M. Chon, 'Trademark Goodwill as a Public Good: Brands and Innovations in Corporate Social Responsibility' 21 *Lewis & Clark L. Rev.* 277 2017, 299.

argue that by recognising the property rights in trade marks, the law of trade marks *exists* to protect this goodwill.[424] Along the same reasoning, it is further argued that since trade marks cannot be considered independently from their goodwill, trade mark law aims to *affect* the goodwill.[425] The fact that trade mark law can affect the goodwill renders trade mark law of paramount importance for all businesses. Without a doubt, there is no business established for profit that does not care about reputation and patronage. In fact, the development of reputation and the attraction of consumers are at the top of the list of things businesses monitor. Therefore, anything that affects these, including trade mark law, is crucial.

With the wider aim of reducing smoking levels, tobacco plain packaging legislation affects the way trade marks are presented on the tobacco packaging and this may in its turn affect the goodwill of tobacco companies. Therefore, by taking into account that the legal regulation of trade marks affect the goodwill they represent, the next section examines whether tobacco plain packaging legislation affects the goodwill of tobacco companies.

3.4.3 Tobacco Plain Packaging and its Impact on Goodwill

The examination of the theoretical justification of the recognition of trade marks as objects of property concluded that the labour invested in trade marks includes the steps of the creation of the trade mark, its use in relation to a particular product and the creation of goodwill. Furthermore, as explained above, goodwill is considered to be the basis of property rights in trade marks. Taking the close relationship of the concept of goodwill with trade marks, this section explores how tobacco plain packaging legislation,

[424] M. Grynberg, 'More Than IP: Trademark Among Consumer Information Laws' 55 *Wm. & Mary L. Rev.* 1429 2013-2014, 1435.
[425] D. Marlan, 'Trademark Takings: Trademarks as Constitutional Property Under the Fifth Amendment Takings Clause' 15 *U. Pa. J. Const. L*. 2012-2013, 1624.

by affecting the way tobacco trade marks appear on the packaging of the tobacco product, is likely to affect the value of goodwill these trade marks symbolise.

Tobacco companies have invested great amounts of time in developing goodwill.[426] For many years, they have promoted tobacco products with the means available and developed reputation and attracted patronage.[427] With the total ban of advertising, the tobacco packaging was seen as the 'sole communicator of the brand essence'.[428] For this reasons, tobacco companies have channelled all their investments into finding trade mark designs and words that can convey their goodwill more efficiently.[429] As a result, tobacco packaging was the last place where tobacco trade marks could appear for the dual function of symbolising and developing goodwill.[430]

Tobacco plain packaging legislation standardises the appearance of tobacco products in general and allows only the word marks to appear in a standardised way while prohibiting the use of figurative trade marks. These restrictive provisions affect the 'overall brand image' of trade marks and as a consequence,[431] it is likely to affect the

[426] S. S. Gu, 'Plain Tobacco Packaging's Impact on International Trade and The Family Smoking Prevention and Tobacco Control Act In The U.S. and Drafting Suggestions' 16 *Wash. U. Global Stud. L. Rev.* 197, 197.

[427] International Trademark Association, Brief Of Amicus Curiae, Submitted To The Dispute Settlement Panel of The World Trade Organization in Cases Ds434, Ds435, Ds441, Ds458 & Ds467 of Australia — Measures Concerning Trademarks And Other Plain Packaging Requirements Applicable To Tobacco Products And Packaging, 18. See also R. L. Underwood et al., 'Is Your Package An Effective Communicator? A Normative Framework For Increasing The Communicative Competence Of Packaging' *Journal Of Marketing Communications* 4 207–220 (1998), 208.

[428] Mark Hulit, 'Marketing Issues Corporate Affairs Conference' Philip Morris, Manila, 27 May 1994, https://www.industrydocumentslibrary.ucsf.edu/tobacco/docs/#id=qsbd0116, accessed 2 May 2018.

[429] British American Tobacco, 'Guidelines on Communication Restrictions and New Opportunities in Marketing' Jesteburg May 1979 https://www.industrydocumentslibrary.ucsf.edu/tobacco/docs/#id=hsjl0132, accessed 30 April 2018. See also M. Wakefield et al., 'The Cigarette Pack as Image: New Evidence from Tobacco Industry Documents' *Tobacco Control* 2002 (11), 78.

[430] Philip Morris Limited, 'Response to the Department of Health Consultation on the Future of Tobacco Control' September 2008, https://www.scribd.com/document/35165899/Philip-Morris-Limited-s-Response-to-the-Department-of-Health-s-Consultation-on-the-Future-of-Tobacco-Control , accessed 1 March 2018.

[431] E. Bonadio, 'Plain Packaging of Tobacco Products Under EU Intellectual Property Law' *E.I.P.R.* 2012 34(9) 602.

development and maintenance of goodwill of tobacco products.[432] Although defining goodwill proved to be challenging, the previous discussion concluded that the two main elements of goodwill are the reputation and patronage of a particular business. Therefore, the interaction of tobacco plain packaging legislation with these two elements is hereafter examined in turn.

Firstly, as explained above, the reputation of trade marks encompasses the way in which trade marks are perceived and therefore can be altered in various ways. Tobacco plain packaging legislation it is likely to affect the reputation of tobacco companies. The restrictive nature of tobacco plain packaging legislation is characterised as an 'intervention' and several studies have concluded that it reduces the promotional appeal of tobacco packaging.[433] The standardisation of word marks removes the 'positive brand imagery' which tobacco companies developed over many years,[434] while the disassociation of specific colours with specific trade marks removes positive associations towards particular brands.[435]

[432] M. S. Kennedy, 'Australia's Tobacco Plain Packaging Act: Convergence of Public Health and Global Trade' *N.C.J. Int'l L. & Com. Reg.* 591 2013-2014, 616.

[433] A. McNeill et al., 'Tobacco Packaging Design for Reducing Tobacco Use' *Cochrane Database of Systematic Reviews* 2017 Issue 4, 6. See also M. Wakefield et al., Do Larger Pictorial Health Warnings Diminish The Need For Plain Packaging Of Cigarettes?' *Addiction* 2012 (107), 1164, C. M. White et al., 'The Potential Impact Of Plain Packaging Of Cigarette Products Among Brazilian Young Women: An Experimental Study' *BMC Public Health* 2012, 12 737, 10, K. Gallopel-Morvan et al., 'Consumer Perceptions Of Cigarette Pack Design In France: A Comparison Of Regular, Limited Edition And Plain Packaging' *Tobacco Control* 2011 (10), 4 and M. Wakefield et al., 'How Does Increasingly Plainer Cigarette Packaging Influence Adult Smokers' Perceptions About Brand Image? An Experimental Study' *Tobacco Control* 2008 17(416), 420.

[434] C. N. Smith et al., 'Plain Packaging Of Cigarettes: Do We Have Sufficient Evidence?' *Risk Management and Healthcare Policy* 2015 8, 23, see also C. Moodie et al., 'Young Adult Smokers' Perceptions Of Plain Packaging: A Pilot Naturalistic Study' *Tobacco Control* 2011 (20), 372.

[435] D. Hammond et al.,' The Perceptions Of UK Youth Of Branded And Standardized, 'Plain' Cigarette Packaging' *European Journal of Public Health* 24(4) 2014, 542. See also A. Guillaumier et al., 'Socioeconomically Disadvantaged Smokers' Ratings Of Plain And Branded Cigarette Packaging: An Experimental Study' *BMJ Open* 2014 4, 9 and D. Germainet et al., 'Adolescents' Perceptions of Cigarette Brand Image: Does Plain Packaging Make a Difference?' *Journal of Adolescent Health* 46 2010, 390.

Furthermore, the elements of youth, trendiness, style and fun which tobacco trade marks were considered to communicate in earlier times have been eliminated.[436] In addition, it has been found that the appeal of tobacco trade marks is reduced since their standardisation does not allow them to follow promotional and advertising norms.[437] Therefore, tobacco packaging, from its former status as a promotional tool has become a simple 'boxed conveyor of the product'.[438] For these reasons, it is argued that tobacco plain packaging legislation is likely to affect the reputation that tobacco trade marks convey.

Secondly, although the research on whether tobacco plain packaging legislation has in fact reduced smoking levels is at a premature stage,[439] it is argued that the available evidence suggests that the standardisation of packaging could reduce smoking levels.[440] The prohibition of figurative trade marks is found to be associated with lower levels of demand[441] and thoughts about quitting among smokers.[442] Furthermore, it is argued that while smokers have 'experiences over and above the actual properties of the

[436] G. Berger-Walliser, 'The Impact of Plain Packaging Regulation on Illicit and Non-Illicit Tobacco Products in the European Union' 38 *N.C.J. Int'l L. & Com. Reg.* 1015 2013, 1043. See also A. Ford et al., 'Cigarette Pack Design And Adolescent Smoking Susceptibility: A Cross-Sectional Survey' *BMJ Open* 2013 (3), 8 and D. Hammond et al., 'The Effect of Cigarette Branding and Plain Packaging on Female Youth in the United Kingdom' *Journal of Adolescent Health* 52 2013 151–157, 156.

[437] V. Parr et al., 'Market Research to Determine Effective Plain Packaging of Tobacco Products' Report Prepared for: Australian Department of Health and Ageing August 2011, 8. See also P. Gendall et al., 'Young Adults' Interpretations of Tobacco Brands: Implications for Tobacco Control' *Nicotine & Tobacco Research* 13(10) 2011, 916 and J. C. Andrews, 'Effects of Plain Package Branding And Graphic Health Warnings On Adolescent Smokers In The USA, Spain And France' *Tob Control* 2016 25, 124.

[438] Berger-Walliser (n. 436) 1058.

[439] J. C. Andrews, 'Effects of Plain Package Branding And Graphic Health Warnings On Adolescent Smokers In The USA, Spain And France' *Tob Control* 2016 25, 125.

[440] McNeill (n. 433) 30. For a study of plain packaging in relation to sugar-sweetened beverages see T. Bollard, 'Effects Of Plain Packaging, Warning Labels, And Taxes On Young People's Predicted Sugar-Sweetened Beverage Preferences: An Experimental Study' *International Journal of Behavioral Nutrition and Physical Activity* 2016 13 95, 6.

[441] K. Kotnowski et al., 'The Impact of Cigarette Packaging Design Among Young Females in Canada: Findings From a Discrete Choice Experiment' *Nicotine & Tobacco Research* 18(5) 2016, 1355.

[442] M. A. Wakefield et al., 'Introduction Effects Of The Australian Plain Packaging Policy On Adult Smokers: A Cross-Sectional Study' *BMJ Open* 2013 (3), 7.

cigarette itself',[443] studies suggest that the brand image created a different perception of the experience of smoking.[444] For example, smokers find the taste of cigarettes from plain packs 'less rich in tobacco, less satisfying, and of lower-quality tobacco.'[445]

In addition, it is reported that non-smokers are less likely to take up smoking with plain packaging tobacco products.[446] This is because the standardisation of packaging creates negative perceptions to youth about both smoking and smokers.[447] With the distinguishing elements in place before plain packaging, young adults distinguished between various tobacco products, and considered that each brand conveyed different qualities.[448] In contrast, plain packaging reduces the attractiveness of tobacco trade marks and works as a discouraging factor to take up smoking.[449]

As a result, it is likely that plain packaging will induce some smokers to quit smoking and prevent some young non-smokers to take up smoking. This likely reduction of smoking levels means likely reduction of patronage for the purposes examined in this section. Furthermore, with the appeal and positive attributions decreased with the removal of branding, it is argued that the reputation of tobacco companies is likely to be affected by tobacco plain packaging legislation. Therefore, it is concluded that the prohibitive nature of tobacco plain packaging is likely to affect the creation and maintenance of goodwill.

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[443] G. Skaczkowski et al., 'Influence Of Premium Vs Masked Cigarette Brand Names On The Experienced Taste Of A Cigarette After Tobacco Plain Packaging In Australia: An Experimental Study' *BMC Public Health* 2018 18 295, 8.

[444] G. Skaczkowski et al., 'Influence Of Premium Versus Value Brand Names On The Smoking Experience In A Plain Packaging Environment: An Experimental Study' *BMJ Open* 2017 (7), 7.

[445] M. Bansal-Travers et al., 'The Impact of Cigarette Pack Design, Descriptors, and Warning Labels on Risk Perception in the U.S.' *Am J Prev Med* 2011 40(6), 680.

[446] S. Dunlop et al., 'Australia's Plain Tobacco Packs: Anticipated And Actual Responses Among Adolescents And Young Adults 2010–2013' *Tob Control* 2016 (0), 8.

[447] C. Moodie et al., 'Young People's Perceptions of Cigarette Packaging and Plain Packaging: An Online Survey' *Nicotine & Tobacco Research*, 14(1) 2012, 103.

[448] P. Gendall et al., 'A Cross-Sectional Analysis Of How Young Adults Perceive Tobacco Brands: Implications For FCTC Signatories' *BMC Public Health* 2012 (12), 7.

[449] N. Hughes et al., 'Perceptions And Impact Of Plain Packaging Of Tobacco Products In Low And Middle Income Countries, Middle To Upper Income Countries And Low-Income Settings In High-Income Countries: A Systematic Review Of The Literature' *BMJ Open* 2016 6, 7.

However, although goodwill is likely to be affected by tobacco plain packaging legislation, the tobacco industry was not protected under Article 1 of the First Protocol of the European Convention on Human Rights (A1P1).[450] According to the European Court of Human Rights, certain types of goodwill are considered possessions for the purposes of A1P1.[451] However, while loss of marketable goodwill may be a possession protected by A1P1, loss of future income is not a possession protected by A1P1.[452] The UK Court of Appeal in *Breyer* explained the difference between the two:

> 'The important distinction is between the present day value of future income (which is not treated by the European court as part of goodwill and a possession) and the present day value of a business which reflects the capacity to earn profits in the future (which may be part of goodwill and a possession). The capacity to earn profits in the future is derived from the reputation that the business enjoys as a result of its past efforts.'[453]

British American Tobacco and various other tobacco companies argued that the restrictive provisions of the UK Standardised Packaging of Tobacco Products Regulations[454] (the Regulations) resulted in the loss of the present value of their goodwill.[455] The High Court, without arriving at a definite conclusion, found that the

[450] See (n. 268).
[451] See Van Marle and Others v The Netherlands, (1986) 8 E.H.R.R. 483, 41-42 about the right to practice as accountants and *Tre Traktörer AB v Sweden,* (1989) 13 EHRR 309, 53 about the withdrawal of the licence to sell alcohol. See also the UK cases *R (Nicholds) v Security Industry Authority* [2007] 1 WLR 2067, *R (Malik) v Waltham Forest NHS Primary Care Trust* [2007] 1 WLR 2092 and *R (Countryside Alliance) v Attorney General* [2007] QB 305.
[452] *Ian Edgar (Liverpool) Ltd v United Kingdom*, Reports of Judgments and Decisions 2000-I, p 465, 'the element of the complaint which is based upon the diminution in value of the business assessed by reference to future income, and which amounts in effect to a claim for loss of future income, falls outside the scope of article 1 of Protocol No 1.' See also *Denimark Ltd v United Kingdom (2000) 30 EHRR CD144.*
[453] *Breyer Group plc and others v Department of Energy and Climate Change*, [2015] EWCA Civ 408, 43.
[454] The Standardised Packaging of Tobacco Products Regulations 2015, No 829, Schedule 1(1).
[455] *R. (on the application of British American Tobacco (UK) Ltd) and Others v Secretary of State for Health*, (n. 264) 718.

claim 'appears to relate more to future income stream than to present value'.[456] Furthermore, the Court of Appeal concluded that the Regulations have not deprived the goodwill for the purposes of A1P1.[457] However, although the tobacco industry cannot claim compensation under A1P1, both because its claims are in relation to future income and because the Regulations are found to be 'justified and proportionate in the public interest',[458] it is important to underline that the future value 'stream' of goodwill is likely to be affected by tobacco plain packaging legislation.

While explaining how the future income stream is distinct from the rest of the goodwill for the purposes of A1P1, the UK Court of Appeal in *Breyer* commented that 'from an accountants' point of view, this distinction may make little practical sense.'[459] Reilly suggests that it includes, inter alia, new products and new customers:

> 'Goodwill may be estimated as the present value of the future income to be earned from providing future goods or services to future, unidentified, customers. These future customers are unidentified new customers who (presumably) will take the place of the entity's current customers as the identified current customers retire.'[460]

Therefore, the loss of future income as a consequence of tobacco plain packaging legislation should be understood as an obstruction to selling tobacco products to future, unidentified, customers who will take the place of the identified current smokers as they die. However, although the value of goodwill is likely to be affected by tobacco plain

[456] *Ibid.,* 731.
[457] *R (British American Tobacco UK Ltd and others) v Secretary of State for Health*, [2016] EWCA Civ 1182, 111.
[458] *R. (on the application of British American Tobacco (UK) Ltd) and Others v Secretary of State for Health* (n. 212) 711.
[459] *Breyer Group plc and others v Department of Energy and Climate Change*, [2015] EWCA Civ 408, 45
[460] R. F. Reilly, 'Goodwill Valuation Approaches, Methods and Procedures' *Financial Advisory Services Insights* Spring 2015, 19.

packaging legislation, it is not certain exactly how and when this is going to happen. As a result, the effects on goodwill are seen as being in relation to the future income stream.

The effect of decades of tobacco advertising is likely to be concentrated in the standardised word mark allowed on the tobacco packaging even with the absence of any figurative trade marks.[461] For example, a study suggests that the effects of plain packaging are less powerful on smokers in comparison to young adults that were less exposed to tobacco advertising.[462] Furthermore, advertising viewed when travelling in places where advertising is permitted may slow down the time needed for the abovementioned effects of tobacco plain packaging legislation to take place.[463] As a result, it is difficult to prove when and to what extend tobacco plain packaging legislation will reduce smoking levels.

However, this section argues that tobacco plain packaging legislation affects the value of goodwill represented by tobacco trade marks and, hence, it affects the value of trade marks as objects of property. No court has disputed the tobacco industry's claim that the value of trade marks is 'tied' to the goodwill it symbolises.[464] On the contrary, the UK High Court mentioned that tobacco plain packaging legislation affects the future income 'stream' of goodwill and as a result may 'significantly diminish' the value of trade marks as objects of property.[465] In the same vein, the Australian High Court accepted that the restrictive provisions of tobacco plain packaging legislation reduce the

[461] Skaczkowski (n. 443) 9.

[462] K. Gallopel-Morvan et al., 'Do Plain Packaging and Pictorial Warnings Affect Smokers' and Non-Smokers' Behavioral Intentions?' *The Journal Of Consumer Affairs* 52(1) 2018, 12. See also M. Al-Hamdani, 'The Effect of Cigarette Plain Packaging on Individuals' Health Warning Recall' *Healthcare Policy* Vol.8 No.3, 2013, 75. See also O. M. Maynard et al., 'Effects Of First Exposure To Plain Cigarette Packaging On Smoking Behaviour And Attitudes: A Randomised Controlled Study' *BMC Public Health* 2015 15(240), 6.

[463] J. Scheffels et al., 'Perceptions of Plain and Branded Cigarette Packaging Among Norwegian Youth and Adults: A Focus Group Study' *Nicotine & Tobacco Research* 15(2) 2013, 454.

[464] Lalive Report, http://www.tobaccolabels.ca/wp/wp-content/uploads/2013/12/Philip-Morris-Intl-Why-Plain-Packaging-is-in-Violation-of-WTO-Members%E2%80%99-International-Obligations-2009.pdf, 7, accessed 1 June 2018.

[465] *R. (on the application of British American Tobacco (UK) Ltd) and Others v Secretary of State for Health*, (n. 264) 745.

'value of associated goodwill in the trade marks' and hence the value of these trade marks.[466]

Therefore, this section argues that while the provisions of tobacco plain packaging legislation do not amount to an expropriation of property, they affect the capacity of trade marks to capture and symbolise goodwill. Therefore, this may render the property aspect of tobacco trade marks meaningless,[467] since such property may eventually become valueless.[468] In other words, while tobacco trade marks remain the property of the tobacco companies, tobacco plain packaging legislation may result in the eradication of the value of this property.

In conclusion, this section examined how the reputation and patronage of tobacco companies is likely to be affected by the restrictive provisions of tobacco plain packaging legislation. Although it is not possible to determine the extent and timing of these effects in the actual marketplace, research shows that plain packaging reduces the appeal of tobacco trade marks and alters the experience of tobacco products. As a result, this section argues that the prohibitive provisions of tobacco plain packaging legislation are likely to affect the value of goodwill symbolised by tobacco trade marks and, as a result, the value of trade marks as objects of property.

3.5 Conclusion

The main aim of this chapter was to examine how the restrictive provisions of tobacco plain packaging legislation affect tobacco trade marks as objects of property. To this end, this chapter examined the subject matter of property rights in trade marks, analysed the theoretical justification of trade marks as objects of property and

[466] Per Crennan, *JT International SA v Commonwealth of Australia* [2012] HCA 43, 83.
[467] Carter (n. 421) 762.
[468] Port (n. 367) 553.

examined how tobacco plain packaging legislation affects the value of the goodwill which is the basis of trade mark property rights.

Firstly, this chapter explained that since they give no incentive for creativeness or invention, trade marks require a different justification than copyrights and patents for the property rights which they confer. In pursuit of that justification, this chapter demonstrated that the subject matter of property rights in trade marks is their communicative aspect. It explained that in order to contain this quite flexible subject matter, the law limits proprietary rights on trade marks with the requirement of use and the provision of genericness. Finally, by taking into account the nature of the communicative aspects of trade marks, this chapter explained that the restrictive provisions of tobacco plain packaging legislation should be understood as aiming to distort the communicative aspects of tobacco trade marks.

Secondly, this chapter analysed the application of Locke's property theory to trade marks. It identified that the creation of goodwill is the Lockean labour in relation to trade marks. Trade mark proprietors invest labour in the creation of trade marks through the following three stages: firstly, plan the creation of a trade mark; secondly, attach it to the product and create an association between the two; and thirdly, build the goodwill that the trade mark represents. This chapter explained that while the first stage of planning tobacco trade marks is not affected by tobacco plain packaging legislation, the following two stages are. The standardisation of tobacco packaging is likely to impede the creation of a distinctive connotation between the newly-used sign and the product. As a result, this is likely to affect the creation of new and the maintenance of existing goodwill.

Finally, this chapter focused on the interaction between tobacco plain packaging and the doctrine of goodwill. Goodwill consists mainly of two elements; reputation and patronage of a particular business. As explained, goodwill forms the basis of trade mark

property rights, as trade marks have the potential to both embody and create goodwill. For this reason, it has been further argued that the value of trade marks depends on the value of the goodwill they represent. Therefore, this chapter examined the impact that the restrictive provisions of tobacco plain packaging legislation have on the value of goodwill. In particular, this chapter concluded that, according to recent studies on the effects of plain packaging on consumers, it is likely that the reputation represented by tobacco trade marks and the patronage of tobacco companies will be affected. As a result, this chapter concluded that tobacco plain packaging legislation affects the value of goodwill and, hence, it affects the value of tobacco trade marks.

While the recognition of trade marks as objects of property facilitates their commercial exploitation, it also safeguards their function of indicating trade origin.[469] As is explained in the next chapter, this is described as the essential function of trade marks. Accordingly, the next chapter explains the importance of the attribution of functions to trade marks in the reasoning of European trade mark law, analyses the development of the essential function of trade marks, and examines whether it is affected by tobacco plain packaging legislation.

[469] See D. Shanahan, 'The Trademark Right: Consumer Protection or Monopoly?' 72 *Trademark Rep.* 233 1982, 241.

Chapter Four

The Essential Function of Trade Marks in the Light of Tobacco Plain Packaging Legislation

4.1 Introduction

As Bently puts it, 'trade marks might be in the same (ontological) form (words, colours, etc.) as other signs, yet what made a sign a trade mark was how it functioned or how it was understood.'[470] According to the European trade mark law, for a sign to become a trade mark it needs to indicate trade origin.[471] As this chapter explores further, since without the origin function no sign can be a trade mark, this function is called the essential function of trade marks.[472]

The essential function is important to safeguard the indication of a certain quality behind trade marks; when consumers may not understand the nature of an item's production place and method, this indication of quality is key.[473] Therefore, the essential function of trade marks encompasses the indication of trade origin and quality.[474] As

[470] L. Bently, 'The Making of Modern Trade Mark Law: The Construction of the Legal Concept of Trade Mark (1860–1880)' in L. Bently et al., *Trade Marks and Brands: An Interdisciplinary Critique* (Cambridge University Press, 2008) 28.

[471] Directive 2008/95/EC of the European Parliament and the Council of 22 October 2008 to approximate the laws of the Member States relating to trade marks (Directive 2008/95/EC), Recital 11. This is also reflected in Directive (EU) 2015/2436 of the European Parliament and of The Council of 16 December 2015 to approximate the laws of the Member States relating to trade marks (Directive (EU) 2015/2436), Recital 16. According to Article 54 of the Directive (EU) 2015/2436, the member states have to implement the changes that it requires by January 2019, except the changes required by Article 54 which must be implemented by January 2023.

[472] The essential function is now an integral part of the reasoning of the Court of Justice of the European Union in trade mark law cases. See for example, *Arsenal FC Plc v Reed*, C-206/01 [2003] 1 C.M.L.R. 12, *Die BergSpechte v. Günter Guni*, C-278/08 [2010] ETMR 592, *Portakabin v. Primakabin*, C-558/08 [2010] ETMR 930, *Adidas-Salomon v Fitnessworld Trading*, C-408/01 [2004] F.S.R. 21, *Google France SARL v Louis Vuitton Malletier SA*, joined cases C-236/08 to C-238/08 [2011] Bus. L.R. 1, *Interflora v Marks & Spencer*, C-323/09 [2012] F.S.R. 3, *L'Oréal SA v Bellure NV*, C-487/07 [2010] R.P.C. 1, *L'Oréal SA v eBay*, C-324/09 [2011] E.T.M.R. 52, *Viking Gas A/S v Kosan Gas A/S*, C‑46/10 [2011] E.T.M.R. 58, *Leidseplein Beheer & Hendrikus de Vries v Red Bull*, C-65/12 [2014] WLR(D) 48.

[473] E. W. Hanak III, 'The Quality Assurance Function of Trade Marks' 65 *Trademark Rep.* 318 1975, 335.

[474] J. R. Lunsford Jr., 'Consumers and Trademarks: The function of Trademarks in the Market Place' 64 *Trademark Rep.* 75 1974, 95.

such, this chapter examines the view of the Court of Justice of the European Union (hereinafter 'the Court' or 'the CJEU') on the way trade marks should be perceived and analyses it in the light of the provisions of tobacco plain packaging legislation. As is examined below, the essential function of trade marks forms the basis of the core trade mark law principles of the registration of trade marks process and the confusion-based infringement provision.[475] Simon stresses that 'it is almost impossible to say how EU trade mark law would have developed without the notion of the essential function'.[476] As a result, the discussion of the development of essential function of trade marks is important for answering the question of whether tobacco plain packaging affects the essential function of tobacco trade marks.

The process of harmonising trade mark law across the European Union is divided into two periods; before and after the first Trade Marks Directive 1989. Before the first Trade Marks Directive, the CJEU recognised as the essential function of trade marks the indication of the initial trade source of a product or service and therefore, in these early years, its decisions fell short even of safeguarding the exclusive rights of a trade mark.[477] After a period of about twenty years, the Commission proposed the adoption of the first Trade Marks Directive highlighting the importance of trade marks and the need for harmonised trade mark law across the European Union.[478] After the implementation of the Trade Marks Directive, the CJEU started to increase the protection of trade marks in recognition of their importance.[479] Therefore, it is important to underline that in the process of developing trade mark law, the functions doctrine played a very important role in the protection of trade marks in the European Union.

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[475] See also E. S. Rogers, 'The Lanham Act and the Social Function Of Trade-Marks' 62 *Trademark Rep.* 255 1972, 259.

[476] I. Simon, 'How does "essential function" doctrine drive European trade mark law?' *IIC* 2005 36(4), 420.

[477] See for example *Van Zuylen Freres v Hag A.G.*, 192/73 [1974] 2 C.M.L.R. 127.

[478] According to Article 289 of the Treaty on the Functioning of the European Union, 'the ordinary legislative procedure shall consist in the joint adoption by the European Parliament and the Council of a regulation, directive or decision on a proposal from the Commission.'

[479] See A. Kur, 'The EU Trademark Reform – (Too) Bold a Step Ahead or Back to Status Quo?' 19(1) *Marq. Intell. Prop. L. Rev.* 15, 32.

The following point must be made both for its relevance to this chapter and for a better understanding of the relationship of tobacco plain packaging legislation and the essential function of trade marks. Crucially, tobacco plain packaging legislation allows only the tobacco 'brand and variant' to appear on the tobacco packaging in a standardised way and prohibits the use of figurative, colour and all other types of non-word trade marks on the packaging.[480] The only freedom tobacco companies have is to decide how these words to appear on the packaging. This creates two categories of tobacco trade marks; trade marks that are permitted to appear on the tobacco packaging in a standardised way and trade marks that cannot appear on the tobacco packaging.

The first category consists of trade marks that may appear on the tobacco packaging in a standardised way. This category includes both word marks and also figurative trade marks that are comprised of words. For example, the figurative trade marks of Davidoff and L&M are stylised words written in particular fonts and placed in a certain way.[481] Therefore, the standardisation of this type of trade mark is possible in the way that tobacco plain packaging legislation dictates; the words themselves can be written in the way the legislation requires. It has been argued that the fact that these trade marks can appear on the tobacco packaging enables them to perform their essential function:

> 'The maintenance of the privilege of using word trademarks means that tobacco companies continue to have the opportunity to distinguish their products from other products and to do so by the prime means of distinguishing that existed prior to the plain packaging legislation.'[482]

[480] The 'brand and variant' refers to the two lines of information allowed by tobacco plain packaging legislation to be appeared on tobacco packaging. Hereinafter 'brand and variant'. See Figure 1.
[481] See Figures 3 and 4 in Appendix.
[482] M. Davison et al., 'Rights, Privileges, Legitimate Interest, and Justifiability: Article 20 of TRIPS and Plain Packaging of Tobacco' 29 *Am. U. Int'l L. Rev.* 505 2013-2014, 577. See also *R. (on the application of British American Tobacco (UK) Ltd) and Others v Secretary of State for Health*, [2016] E.T.M.R. 38, 745.

Therefore, tobacco plain packaging legislation, through the use of the 'brand and variant', allows tobacco companies to indicate trade origin. However, not all trade marks registered for tobacco products are allowed to appear on tobacco packaging and hence, perform this function.

The second category includes trade marks that cannot appear on the tobacco packaging because they do not include any words. For example, Camel uses the sign of a camel as its trade mark,[483] and Marlboro the pointed sign that resembles a roof top.[484] These trade marks cannot be standardised in a way that would allow them to appear on the tobacco packaging. Since these trade marks cannot appear on the tobacco packaging, they cannot perform any function on it. Consequently, the discussion of this chapter focuses on standardised tobacco word marks and their ability to indicate the trade origin, rather than on whether the essential function of the figurative trade marks is distorted, as it clearly is.[485] Hereafter, this section examines the effects of tobacco plain packaging on the essential function of standardised word marks.

This chapter is divided into five sections. Following the introductory section, section 2 examines the development of the doctrine of the essential function of trade marks to explain its effect on the way that trade marks were perceived by the CJEU. Section 3 explores the role of the essential function of trade marks in and after the first Trade Mark Directive in order to highlight the importance of examining its compatibility with the provisions of tobacco plain packaging legislation. Finally, section 4 reviews the essential function in relation to the registration process of trade marks and the doctrine of distinctiveness in EU trade mark law in order to answer the research question of how tobacco plain packaging affects tobacco trade marks under the European trade mark law system and its doctrines.

[483] See Figure 5 in Appendix.
[484] See Figure 6 in Appendix.
[485] In *R. (on the application of British American Tobacco (UK) Ltd) and Others v Secretary of State for Health*, [2016] E.T.M.R. 38, 745 Green J held that only the word marks 'still serve their core function as an identifier of origin'.

4.2 The Development of the Essential Function Doctrine prior to the First Trade Marks Directive

The way trade marks and their functions are perceived by the CJEU has been transformed in the span of half a century. From the late 1970s until the implementation of the first Trade Marks Directive in 1989,[486] the CJEU was reluctant to give many rights to trade mark proprietors.[487] As is explained in this section, for many years the Court did not recognise trade marks as important tools for the economy.[488] However, after the key cases discussed in this section, the Court accepted the importance of trade marks in the marketplace and it became willing to defend trade mark rights in order to enhance their role as vital parts of commerce.[489]

With the absence of any trade mark legislation at a European Union level, the reasoning behind decisions in cases involving trade marks was the proper functioning of the internal market. The vast majority of these early judgements were questions referred to the Court for the preservation of the free movement of goods. The referring courts of the Member States could only examine trade mark issues under the Treaty establishing the European Economic Community (EEC Treaty), in particular, the relevant articles Article 30 and Article 36 of the EEC Treaty.[490] Article 30 prohibits 'quantitative restrictions on importation and all measures with equivalent effect' between Member States. Article 36 allows prohibitions in relation to 'the protection of industrial and commercial property', inter alia. However, under Article 36 such prohibitions must not

[486] First Council Directive 89/104/EEC of 21 December 1988 to approximate the laws of the Member States relating to trade marks (First Trade Marks Directive), revisited in 2008 with Directive 2008/95/EC (see n. 471).
[487] See Simon (n. 476) 402.
[488] See *Van Zuylen Freres v Hag A.G.* (n. 477).
[489] For the development of the Community trade mark see D. G. Radler, 'The European Community Trade Mark: Is It Worth the Bother' 1 *Marq. Intell. Prop. L. Rev.* 181 1997.
[490] Article 30 of the Treaty Establishing the European Economic Community (now article 34 of the Treaty on the Functioning of the European Union) and Article 36 of the Treaty Establishing the European Economic Community (now article 36 of the Treaty on the Functioning of the European Union), respectively.

'constitute either a means of arbitrary discrimination or a disguised restriction on trade between Member States.'

Accordingly, this section firstly examines the indication of common initial trade source as the first interpretation of the essential function of trade marks and secondly, analyses the two justifications of the early development of the European trade mark law in the light of tobacco plain packaging legislation.

4.2.1 The Indication of Common Initial Trade Source as the First Interpretation of the Essential Function of Trade Marks

The first case in which the CJEU had the opportunity to comment on trade mark law rights was that of *Sirena*.[491] It stated that the rights conferred by trade marks form a barrier to free movement of goods and are not worthy of protection. The Court formed this view on the reasoning that 'the national provisions regarding the protection of industrial property rights', which includes trade marks, were not 'unified at the Community level.' As such, the Court concluded that the national provisions of trade mark regulation are able to 'contribute to the division of markets',[492] and stated that trade mark rights are less important and therefore not worthy of greater protection than the objects of industrial and commercial property rights. In drawing these conclusions, the Court attempted to preserve the free movement of goods within the Union. In the Court's view, trade marks had no place in a healthy, unified marketplace.

In contrast, in the 'Memorandum on the creation of an EEC trade mark', a document published five years after *Sirena*, the Commission underlined the importance of trade marks: 'To an economic system directed towards the needs of consumers, trade marks are thus indispensable. They play an important role in the public interest in the

[491] *Sirena S.R.L. v Eda S.R.L. and Others*, 40/70 [1971] C.M.L.R. 260.
[492] *Ibid*, 4-7.

distribution of goods and services, and should therefore be given legal protection.'[493] This view was the first step towards the rights trade mark proprietors enjoy today. However, after *Sirena*, almost twenty years would pass before such rights were conferred on trade marks. Therefore, at the memorandum's time of the publication, the importance of trade marks was not clear in the CJEU's reasoning when deciding relevant cases.

In order for the CJEU to decide whether trade marks could play an important role in the marketplace and society, and also whether they could be used without distorting a unified European market, there was a need for a means of evaluating how trade mark law affect the way trade marks are perceived in the marketplace. Leeds suggests that trade mark law focuses on psychology rather than pure economics, with decisions made based on predictions of public reception.[494] Therefore, by considering the effects of trade mark protection in the marketplace, the CJEU created a legal framework to protect trade mark rights.

Two years after *Sirena*, in *Hag*, the questions raised in the CJEU were examined in the light of the issue of free movement of goods.[495] The trade mark in dispute originally belonged to one holder in Germany, with a subsidiary company located in Belgium. Although the subsidiary later became independent as the result of a public authority act,[496] the Court came to the decision that the trade mark should be treated as indicating the same trade source. Therefore since the two identical trade marks were indicating the *common initial trade source*, it was held that they could both be used by

[493] Commission of the European Communities, 'Memorandum on the Creation of an EEC Trade Mark' *Bulletin of the European Communities* Supplement 8/76 July 1976, 13. Put a website where I can access this please.
[494] D. Leeds, 'Confusion and Consumer Psychology' 46 *Trademark Rep.* 1956, 3.
[495] *Van Zuylen Freres v Hag A.G.*, 192/73 [1974] 2 C.M.L.R. 127, 5.
[496] *Ibid*, 3.

both parties in order to preserve the free movement of goods within the common market.[497]

At that time, the Court failed to identify any functions of trade marks that were worthy of protection. In the name of the preservation of the free movement of goods, the Court was extremely narrow in its interpretation of the purpose of trade marks. Two enterprises sharing a common initial trade source could be awarded trade mark rights, even if they had no business connection when they were using the trade mark. By attributing this narrow function to trade marks, the Court was clearly dismissive of their true significance. Rogers argues that in a marketplace without the proper accountability mechanisms trade marks confer, there could be neither accountability for poor work nor recognition for good.[498] By attributing only the common initial trade source function in *Hag*, the CJEU ignored the potential trade mark law held to empower trade marks as badges of quality or means for demonstrating responsibility.

Following *Hag*, the Court in *Winthrop* expressed the same view.[499] It was held that where a holder of a trade mark in one Member State put a product bearing that mark in the market of another Member State or gave his consent to a third party to do so, the holder of the trade mark cannot prohibit the marketing of the product of the second Member State in the first Member State.[500] Again, the CJEU held that by allowing both trade marks to be used in one jurisdiction, the function of trade marks to indicate their common initial trade source would not be distorted. In a similar ruling, the CJEU accepted the rules formed in the above cases in *Terrapin*.[501] It was held that the national laws of a Member State to prohibit the import of products bearing a trade mark already owned by someone else in this Member State could be enforced under Article 36 EEC.

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[497] *Ibid*, 15.
[498] E. S. Rogers, 'Freedom and Trademarks' 34 *Trademark Rep.* 55 1944, 56.
[499] *Centrafarm BV and Another v Sterling Drug Inc. and Centrafarm BV and Another v Winthrop BV,* 15/74 [1974] 2 *C.M.L.R.* 480.
[500] *Ibid*, 34.
[501] *Terrapin (Overseas) Ltd. v Terranova Industrie C. A. Kapferer & Co.,* 119/75 [1976] 2 C.M.L.R. 482.

In order to protect the common initial trade source function, such importation should be prohibited where there are no 'economic ties between the undertakings and that their respective rights have arisen independently of one another.'[502] The Court also said that having come to a different conclusion, confusion would arise.[503] *Terrapin* was the first case in which the Court's reasoning was to prevent trade mark confusion. However, at that time, the confusion referred to by the Court was in relation to the common initial trade source. Having been a dispute between two enterprises that initially were economically linked, the use of the trade mark by both enterprises would not be considered as confusing.

A few years later, in the 1978 case *Hoffmann-La Roche*,[504] Centrafarm was re-selling Hoffman's products in a different Member State, after repackaging and re-affixing the initial trade mark to new packaging. Willing to protect the initial trade source function of trade marks in the light of Article 36 EEC, the Court examined whether the prohibition to use the trade mark after repackaging would constitute a veiled restriction on trade between Member States. It was held that this would not be the case when, inter alia, the new packaging states that the product has been repackaged and names the party responsible.

Although the Court gave the same narrow reasoning in relation to trade marks as indicators of a common initial trade source, it recognised the value of trade marks to their proprietors. In particular, it recognised that the most important interest a trade mark can confer to its proprietor is the right for exclusive use. Furthermore, the Court explained what the *specific subject matter* of trade marks is:

[502] *Ibid*, 8.
[503] *Ibid*, 7.
[504] *Hoffmann-La Roche & Co. AG and Hoffmann-La Roche AG v Centrafarm Vertriebsgesellschaft Pharmazeutischer Erzeugnisse mbH*, 102/77 [1978] 3 C.M.L.R. 217.

> '[I]n particular [it is] to guarantee to the proprietor of the trade mark that he has the exclusive right to use that trade mark for the purpose of putting a product into circulation for the first time and therefore to protect him against competitors wishing to take advantage of the status and reputation of the trade mark by selling products illegally bearing that trade mark.'[505]

In *Hoffmann-La Roche*, the Court suggested that the exclusive rights trade marks confer should be protected in order to safeguard the common initial trade source function of trade marks.[506] Interestingly, it is in this case that the Court named the common initial trade source function as the 'essential function' of trade marks. The Advocate General, in his Opinion in this case, also mentioned the function attributed to trade marks that can serve as a guarantee of quality. He described this function as 'ancillary' and underlined that in the European Community system what is more important is the principle of free movement of goods.[507]

It was with this case that trade mark functions were separated in two categories. The first category of functions was considered to consist exclusively of the common initial trade source function (the essential function). All other functions one can attribute to trade marks fall into the second category (the ancillary functions). As is explored in the following sections, the essential function of trade marks has a dual purpose. Firstly, it governs the core trade mark law registration and infringement provisions, and secondly, it enables the development of ancillary functions. The same view was expressed in 1976 by the Commission in the Memorandum on the creation of an EEC trade mark:

> 'Both economically and legally the function of the trade mark as an indication of origin is paramount. From this basic function of the trade

[505] *Ibid*, 7.
[506] *Ibid*. Following *Hoffmann* see also *Pfizer Inc. v Eurim-Pharm Gmbh, Piding/Bad Reichenhall*, 1/81 [1982] 1 C.M.L.R. 406.
[507] Per Sig. Francesco Capotorti AG, *Ibid*, AG6.

> mark *are derived all the other functions* which the trade mark fulfils in economic life. If the trade mark guarantees that the commercial origin is the same, the consumer can count on a similarity of composition and quality of goods bearing the trade mark; and the advertising value of the trade mark requires that between the trade marked goods and the owner of the trade mark there is a *definite* legal relationship.'[508]

In essence, with this statement the Commission states the two categories of trade mark functions. This thesis finds the allocation of the functions of trade marks into these two categories logical. Kur described the functions of trade marks as a 'systemic feature distinguishing trade mark law from other areas of IP'.[509] The essential function of trade marks is a vital, systemic feature for a sign to be a trade mark and if nothing else, a trade mark must be always able to indicate trade origin. Therefore it should be clearly separated from any other functions. As discussed further in this chapter, the importance of the essential function of trade marks in underlined by the fact that it forms the basis of the vast majority of trade mark law provisions. Before exploring further the development of the essential function, the next section examines the two justifications of the early development of the European trade mark law in the light of tobacco plain packaging legislation.

4.2.2 The Two Justifications of the Early Development of the European Trade Mark Law and Tobacco Plain Packaging Legislation

The early development of European trade mark law came with two justifications; the protection of the subject matter of trade marks and the protection of the free movement of goods. In this section, these two justifications are discussed in the light of

[508] Commission of the European Communities (n. 493) 68, emphasis added.
[509] A. Kur, 'Trade Marks: The Future of the Advertising Function' *Max Planck Institute for Intellectual Property and Competition Law* 23 March 2011, http://www.ucl.ac.uk/laws/ibil/docs/11_brands_kur.pdf, accessed 30 April 2018.

tobacco plain packaging legislation. The importance of this section is to examine whether tobacco plain packaging legislation is compatible with the early justifications of European trade mark law. These two justifications are therefore discussed in turn.

Firstly, the way trade marks are treated under tobacco plain packaging is in line with the 'specific subject matter' of trade marks; the exclusive rights which trade marks confer on their proprietor. Although the Court in *Hoffmann-La Roche* still defined the essential function as the indication of a common initial trade source, it recognised the importance of the exclusive rights trade marks confer. These exclusive rights are the 'subject matter' of trade marks. Every law that affects trade marks takes this into account because without this exclusivity, trade marks could not perform *any* function. Tobacco plain packaging legislation, therefore, respects the exclusive rights that trade marks confer upon their proprietors. Although its aim is to limit specific functions of trade marks, it does not limit or otherwise affect the exclusive rights trade marks confer on their proprietors. Even after tobacco plain packaging legislation, tobacco trade mark proprietors still enjoy the exclusivity of their trade marks, and maintain the right to bring to justice any who try to limit these rights.

Secondly, tobacco plain packaging legislation is found to be in line with the way the early cases on trade mark law protected the free movement of goods. As the nature of trade marks commands, the Court provided judgments in relation to trade mark issues considering the principle of the free movement of goods. As an overarching theme in EU law, this principle is also considered in the Tobacco Directive 2014 in relation to all its provisions, including the standardisation of tobacco packaging.[510] Therefore, what is examined here is the principle of the free movement of goods in relation to both

[510] Directive 2014/40/EU of the European Parliament and of the Council of 3 April 2014 on the approximation of the laws, regulations and administrative provisions of the Member States concerning the manufacture, presentation and sale of tobacco and related products and repealing Directive 2001/37/EC (Tobacco Products Directive).

tobacco plain packaging legislation and the early development of trade mark law, as discussed above.

According to the Tobacco Directive, Member States have the freedom to enact legislation to further standardise the packaging of tobacco products. By aiming for a 'high level of protection of human health', the Directive allows the legal regulation of the packaging of tobacco products even where this distorts the principle of free movement of goods. The Directive decrees that such measures must be 'proportionate' and 'may not constitute a means of arbitrary discrimination or a disguised restriction on trade between Member States.' Any such measures must also 'be notified to the Commission together with the grounds for maintaining or introducing them.'[511] Therefore, the Tobacco Directive allows the Member States to attribute functions to trade marks that justify the obstruction of free movement of goods and notify the Commission.[512]

On the other hand, with the absence of a harmonised legal regulation of trade marks at the European Union level up to *Hoffmann-La Roche*, the Member States were free to enact any national legislation to govern trade marks. As the cases discussed above indicate, the Court was required to protect industrial and commercial property, as Article 36 EEC dictates. It therefore attributed the indication of common initial trade source function to trade marks.[513] In order to defend this function and avoid confusion as described in *Terrapin*, the Court accepted the obstruction of the free movement of goods.[514]

[511] *Ibid*, Article 24(2).
[512] For the attribution of the modern functions of trade marks as the theoretical basis of tobacco plain packaging legislation see chapter five.
[513] See J. A. Kemp, 'The Erosion of Trade Mark Rights in Europe' 11 *Common Market L. Rev.* 360 1974.
[514] See F. K. Beier, 'The Development of Trademark Law in the Last Twenty-Five Years' *IIC* 1995, 26(6), 770 and P. Roncaglia et al., 'Trademark Functions and Protected Interests in the Decisions of the European Court of Justice' 101 *TMR* 147 2011, 149.

In both instances, the Member States could have legislations in force which are compatible with the Treaties of the European Union (i.e. proportionate and not constituting a means of arbitrary discrimination or a disguised restriction on trade) but at the same time prohibit the free movement of goods. For this to happen in both cases, it is the attribution of functions of trade marks that enables the Member States to *enforce and maintain* such legislation. In relation to the early development of trade mark law, it is the attribution of the common initial trade origin function and in relation to tobacco plain packaging legislation it is the attribution of the modern functions of trade marks that, as explained in the next chapter, form the theoretical basis of this legislation.

Therefore, the examination of the justifications of the early development of trade mark law in the light of tobacco plain packaging legislation leads to the conclusion that the attribution of functions on trade marks can justify distortions in free movement of goods. The next section discusses the change of the CJEU's reasoning in relation to the essential function of trade marks.

4.2.3 The Indication of Trade Origin as the Essential Function of Trade Marks

About ten years after *Hoffmann-La Roche,* in *Hag II,*[515] the CJEU accepted that trade mark rights 'constitute an essential element of the system of undistorted competition which the Treaty aims to establish and maintain.'[516] Compared with the Court's view in *Sirena,* where trade marks were considered as unworthy of protection, this view of trade marks can be described as a turning point in the legal perception of trade marks.

As such, the Court held that it is not the common initial trade source of the trade mark that should play the most important role in the market, but its trade origin. As the

[515] *S.A. Cnl-Sucal NV v Hag GF AG*, C-10/89 [1990] 3 C.M.L.R. 571, 13.
[516] *Ibid*. See also IHT Internationale Heiztechnik GmbH and Another v Ideal-Standard GmbH and Another, C-9/93 [1994] 3 C.M.L.R. 857.

Advocate General decreed, the doctrine of common initial trade source 'is not a legitimate creature of Community law',[517] and the doctrine of *trade origin* must take its place as the essential function of trade marks. The Court in *Hag II* justified its decision to redefine the essential function of trade marks by explaining that trade marks must be used to hold enterprises responsible for the quality of their products. The Court explained the importance of a single enterprise: '[A trade mark] must constitute a guarantee that all the products bearing it have been manufactured under the supervision of *a single enterprise* to which responsibility for their quality may be attributed.'[518]

This constitutes the reasoning behind the indication of trade origin function. In order to indicate *potential* quality, trade marks have to indicate their *trade* origin. By providing this reasoning, the Court used the quality function as a justification for the *trade* origin function. This is because, in the majority of cases, and if the consumer is familiar with the trade mark, trade origin can automatically indicate a certain level of quality. Although trade marks cannot always indicate the quality of products, they can always indicate the trade origin of the products. In a similar vein, the Advocate General explained that the quality function can be accepted as an economic guarantee and not as a legal one:

> 'Without trade mark protection there would be little incentive for manufacturers to develop new products or to maintain the quality of existing ones. Trade marks are able to achieve that effect because they act as a guarantee, to the consumer, that all goods bearing a particular mark have been produced by, or under the control of, the same manufacturer and are therefore likely to be of similar quality. The guarantee of quality offered by a trade mark is not of course absolute, for the manufacturer is at liberty to vary the quality; however, he does so at his own risk and he —

[517] Per Mr. Francis Jacobs AG, *Ibid*, 589.
[518] *Ibid,* 13, emphasis added.

not his competitors — will suffer the consequences if he allows the quality to decline. Thus, although trade marks do not provide any form of *legal* guarantee of quality — the absence of which may have misled some to underestimate their significance — they do in economic terms provide such a guarantee, which is acted upon daily by consumers.'[519]

He continued by explaining that although the quality function cannot be seen as a legal guarantee, it is the most important function for the consumer and therefore should be enhanced through the reservation and protection of the origin function:

'[The] tendency of a particular trade mark to convey to consumers certain perceptions as to the quality of the marked goods […] is bound up with the essential function of trade marks in general. It is sometimes said that the essential function of the trade mark is to act as a guarantee of origin but not as a guarantee of quality. That is true in the limited sense that the manufacturer is not under an obligation to ensure that all goods sold under a particular mark are of the same quality. But, as I have suggested, the relevance of the trade mark's function as a guarantee of origin lies none the less in the fact that the trade mark conveys to the consumer certain perceptions as to the quality of the marked goods. The consumer is not interested in the commercial origin of goods out of idle curiosity; his interest is based on the assumption that goods of the same origin will be of the same quality. That is how trade mark protection achieves its fundamental justification of rewarding the manufacturer who consistently produces high-quality goods.'[520]

[519] Per Mr. Francis Jacobs AG, *Ibid*, 583. The cases followed are discussed later in this chapter and the next chapter.
[520] *Ibid*, 604.

Therefore, the power of trade marks to indicate a certain quality of products or services played a major role in the views of the Court and the Attorney General in *Hag II*.[521] The importance of trade marks as indicators of quality had been long recognised. In a 1944 journal article, Rogers underlined that in a jurisdiction that does not protect the essential function of trade marks, there would be no incentive to create quality goods.[522] In other words, it is argued that by protecting the essential function of trade marks to indicate the trade origin, the single enterprise which uses that trade mark can be held accountable for poor quality,[523] or can take pride in good workmanship.[524] In fact, it is argued that the protection of trade origin is just the vehicle to protect the origin of the quality; rather than indicating a specific product origin, it guarantees the quality control process of that organisation, and without this function it cannot hold meaning.[525]

In conclusion, with no precedent for trade mark law at the European Union level, the CJEU developed the functions of trade marks doctrine. At the end of this 20-year period, just before the adoption of the Trade Marks Directive, the Court found in *Hag II* the opportunity to set the definition of the essential function of trade marks that we still use today. Smith expresses the view that at this point the CJEU accepted the role of the trade mark proprietor 'as the private prosecutor of those who would confuse

[521] See D. Shanahan, 'The Trademark Right: Consumer protection or Monopoly?' 72 *Trademark Rep.* 233 1982, 240: 'Essentially, what a trademark symbolizes or guarantees is not the actual origin of the product (which may vary) not simply its quality, but the origin of that quality-that is to say, the existence of some person or organization maintaining a consistent standard of quality control.' See also M. Mireles, 'Towards Recognizing and Reconciling the Multiplicity of Values and Interests in Trademark Law' 44 *Ind.L.J.* 428 2012.
[522] Rogers (n. 498).
[523] Lunsford (n. 474).
[524] A. Griffiths, 'Quality in the European Trade Mark Law' 11(7) *Northwest. J. Tech. Intellect. Prop.* 621 2013 on the capacity of trade marks to confer an intangible quality on the products they are attached on. Also see C. Shapiro, 'Consumer Information, Product Quality, and Seller Reputation' 13 *Bell J. Econ.* 20 1982 and C. Shapiro, 'Premiums for High Quality Products as Returns to Reputations' 98 *Q. J. Econ.* 659 1983.
[525] Shanahan (n. 521) 240.

consumers.'[526] The fact that the court named the identification of *trade* origin as the *essential* function of trade marks and separated it from all the other functions was — and still is — the bedrock of trade mark law as emphasised by the all European and UK courts.[527]

4.3 The Essential Function of Trade Marks and its Role in the Trade Marks Directive

The essential function of trade marks as developed by the CJEU played a major role in the creation of the first Trade Marks Directive. In relation to the formation of the Directive, the Commission of the European Communities stated that '[a]ny regulation of trade mark law depends ultimately on the functions which are attributed to the trade mark.'[528] In other words, since trade marks have no inherent functions, the legislators must *attribute* functions to trade marks in order to create any provision of trade mark law.

Therefore, as instruments upon which trade mark law is ultimately dependent, these functions should be defined in the Directive. Under Recital 10 of the First Trade Marks Directive,[529] the function of registered trade marks is 'in particular to guarantee the trade mark as an indication of origin'.[530] By making this statement, the Commission agreed with the CJEU that there are two categories of trade mark functions and underlined the importance of the essential function. Simon suggests that the essential function of trade marks formed the base of the main provisions of the Directive:

[526] R. Smith, 'The Unresolved Tension Between Trademark Protection and free Movement of Goods in the European Community' *Duke Journal of Comparative & International Law* Vol.3:89 1992, 117.
[527] See for example the additional opinion of Advocate General Szpunar in *Christian Louboutin SAS v Van Haren Schoenen BV*, C-163/16 delivered in 2018. See also the recent UK cases *Argos Ltd v Argos Systems Inc* [2017] EWHC 231 (Ch) and *Societe des Produits Nestle SA v Cadbury UK Ltd* [2016] EWHC 50 (Ch).
[528] Commission of the European Communities (n. 493) 68.
[529] First Trade Marks Directive (n. 486) was implemented by all the Member States of the European Union by the end of 1992. The First Trade Marks Directive was repealed by the Directive 2008/95 which in turn is repealed by Directive (EU) 2015/2436 (see n. 471).
[530] First Trade Marks Directive (n. 486).

> '[T]he essential function has fundamentally influenced the development of the central tenets of trade mark law. In this way, it acts as a 'grand unifying theory' bringing together all of the aspects of trade mark law, by reference to the need for a trade mark to distinguish the goods of one undertaking from those of other undertakings. This makes perfect sense because what is required of a trade mark and how it can be used by its proprietor is regulated by reference to what the mark should be doing. This in turn ensures that trade marks continue to do what, as a matter of principle, they should be doing.'[531]

The wording of Recital 10 was, however, arguably vague. This created implications and confusion around the other functions of trade marks. In his 1992 article, in which he commented on the provisions of the then newly-adopted Directive, Gielen drew attention to the phrase 'in particular', arguing that a degree of vagueness was necessary to allow protection of marks without confusion as a factor, and that extending such protection tacitly accepted the trade mark's functions beyond simply trade origin.[532] According to Gielen, the Commission had to explicitly mention that the essential function is not the sole function of trade marks in order to justify the existence of the anti-dilution provision.[533] However, although it is true that the acceptance of the essential function as the sole function would be incompatible with the dilution provision, it can be argued that the Commission could use more specific language; for example, the Commission could clarify which functions are attributed in relation to which provisions of the Directive.[534]

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[531] Simon (n. 476) 420.

[532] C. Gielen, 'Harmonisation of Trade Mark Law in Europe: The First Trade Mark Harmonisation Directive of the European Council' *E.I.P.R.* 1992 14(8), 264.

[533] Anti-dilution provisions in essence give protection to reputable trade marks without requiring any likelihood of confusion. See chapter five.

[534] See Proposal for a Directive of the European Parliament and of the Council to Approximate the Laws of the Member States relation to Trade Marks, Brussels, 27.3.2013, COM (2013) 162 final, 2013/0089 (COD). Recital 19 of the Proposed Directive stated that for uses in double identity cases, 'protection should be granted to a trade mark only if and to the extent that the main function of the trade mark, which is to guarantee the commercial origin of the goods or services, is adversely affected.' This was a failed attempt

It can be further argued that the Commission was not obliged to make any reference to the functions of trade marks in order to justify any of the Directive's provisions. Since the process of attributing functions to trade marks takes place before creating trade mark law provisions, the absence of any reference to the functions of trade marks would not render the provisions of the Directive unjustified. Also, as is further explored in the next chapter, the use of the doctrine function in the Directive gave the CJEU the opportunity to further expand it in relation to double identity cases. Nevertheless, the same wording in relation to the essential function appears in the recitals of both the following two Trade Marks Directives.

With the First Trade Marks Directive, the Commission recognised the importance of the essential function of trade marks in indicating origin and quality. They viewed trade marks as 'indispensable means of promoting trade and in doing so assist the further interpenetration of national markets.'[535] Therefore, the doctrine of the essential function formed the basis for the registration of trade marks criteria and confusion-based infringement provision of the Directive, which are examined in the following sections. The importance of the essential function of trade marks is also reflected in the two Directives followed the First Trade Marks Directive.[536]

As is explained in this chapter, the essential function of trade marks played a vital role in the provisions of European trade mark law. As a result, this chapter seeks to examine whether the provisions of tobacco plain packaging legislation affect the essential function of trade marks. This is further explored in the following section.

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from the Commission to be more specific in relation to the use of the essential function of trade marks. For the discussion on the proposal for amending Directive 2008/95 see section 5.3.

[535] Commission of the European Communities (n. 493) 21.

[536] See n. 529.

4.4 Tobacco Plain Packaging Legislation and the Essential Function of Trade Marks

As explained above, the essential function of trade marks is that of indication of trade origin and quality and the importance of its protection is recognised by the current European trade mark law system. Therefore, this section discusses whether the provisions of tobacco plain packaging legislation affect the essential function of tobacco trade marks. Under this legislation, word marks can only appear in a standardised way while any other trade marks cannot appear on the tobacco packaging. The restrictive nature of these requirements raises the question of whether they distort the essential function of tobacco trade marks. The answering of this question contributes to the issues raised by the research question of whether tobacco plain packaging affects tobacco trade marks as regulated by European trade mark law doctrines.

In order to achieve this, this section examines the registration criteria of trade marks as well as the confusion-related trade mark infringement provisions in the light of tobacco plain packaging legislation since the essential function plays a vital role in both provisions. No sign that lacks distinctiveness and cannot indicate trade origin can be registered as a trade mark. However, when a sign harms the distinctiveness of a trade mark and creates confusion, it infringes the trade mark. Accordingly, this section is divided into two sub-sections. The first considers the registration of trade marks in relation to tobacco products, while the second examines the doctrine of distinctiveness and the principles of trade mark confusion.

4.4.1 Registration of Trade Marks in Relation to Tobacco Products

The Trade Marks Directive provides the rules under which trade marks can be registered.[537] The registration of trade marks is important for safeguarding the

[537] Directive 2008/95/EC, Articles 2-4. This is also reflected in Articles 3-9 of the Directive (EU) 2015/2436 and in Sections 3-8 of the UK Trade Marks Act 1994.

exclusivity of rights a trade mark confers.[538] As explained above, even before the adoption of the First Trade Marks Directive, the CJEU recognised the importance of the exclusive use of trade marks.[539] Without such exclusive use, trade marks are unable to perform their essential function of indicating trade origin.[540]

In order to ensure the exclusivity of the rights a trade mark confers upon registration, Article 2 of the Trade Marks Directive specifies that signs can be registered as trade marks only if they are capable of 'distinguishing the goods or services of one undertaking from those of other undertakings.'[541] In this way, the Directive protects the essential function of trade marks. This section considers two key questions regarding the registration of trade marks for tobacco products; although tobacco plain packaging legislation addresses both issues, they cannot be overlooked.

The first issue raised is whether, after the introduction of tobacco plain packaging legislation, new signs for tobacco products should be refused registration. Any such refusal could be based on the grounds that since such sign either will not appear on the tobacco packaging or will appear only in a standardised way, they cannot perform their essential function. It has been argued that the limitation of registration of word marks only could potentially become a useful means by which to reduce tobacco products' marketable appeal, as the trademark would cover only the sign's text form.[542] Despite

[538] See A. Blythe 'Misrepresentation, confusion and the Average Consumer: To What Extent are the Tests for Passing off and Likelihood of Confusion within Trademark Law Identical?' E.I.P.R. E.I.P.R. 2015, 37(8), 485. 'passing off is aimed at safeguarding business goodwill, while trade mark law is aimed at enforcing the proprietor's right to exclusive use of his mark'.

[539] See *Hoffmann-La Roche* (n. 504).

[540] See *Viking Gas A/S v Kosan Gas A/S*, C‑46/10 [2011] E.T.M.R. 58, AG55, Per Kokott AG: 'The immediate purpose of trade mark rights is to ensure exclusive use of the mark such that the proprietor may strengthen the connection between that sign and its goods and services.'

[541] Directive 2008/95/EC. This is also reflected in Article 3 of the Directive (EU) 2015/2436 and in Section 1(1) of the UK Trade Marks Act 1994. For the criteria for registration of a trade mark and the balancing interests taken into account see J. Antill et al., 'Registrability and the Scope of the Monopoly: Current Trends' [2004] *EIPR* 157 and J. Davis et al., 'HAVE A BREAK and the Changing Demands of Trade Mark Registration' [2015] (2) *Queen Mary Journal of Intellectual Property* 132-156.

[542] A. Marsoof, 'The TRIPs Compatibility of Australia's Tobacco Plain Packaging Legislation' *JWIP* (2013) Vol. 16 no. 5–6 197–217, 199.

this, the Paris Convention and the TRIPS Agreement specify that this cannot be the case. Under Article 7 of the Paris Convention, '[t]he nature of the goods to which a trademark is to be applied shall in no case form an obstacle to the registration of the mark.'[543] Therefore, in order to fulfil international obligations under the Paris Convention and the TRIPS Agreement, the Commission cannot limit the registration of tobacco trade marks.

In light of this, the current tobacco plain packaging legislations explicitly allow the registration of tobacco products. For example, under Article 28(1) of the Australian Plain Packaging Act 2011, 'an applicant for the registration of a trade mark in respect of tobacco products is taken to intend to use the trade mark in Australia in relation to those products'. In addition, under paragraph 13(1) of the UK Standardised Packaging of Tobacco Products Regulations 2015, 'nothing in, or done in accordance with, these Regulations forms an obstacle to the registration of a trade mark'.[544] Furthermore, Marsoof argues that even after a complete ban of tobacco products, the registration of trade marks should be allowed for the sake of compliance with the Paris Convention and the TRIPS Agreement; although the possibility of registering a mark for an illegal product may seem nonsensical, on a conceptual level, allowing it would avoid accusations of discrimination in the degree of trade mark protection available to different categories of goods and services.[545] Therefore, tobacco plain packaging legislation does not, and should not have, any impact on the registration of tobacco related trade marks in relation to tobacco products. This applies to all types of trade marks irrespective of whether they can appear on the tobacco packaging or not.

Although this maintains compatibility with international obligations, one more issue remains; the question of whether tobacco trade marks could be declared invalid since

[543] This is also reflected in Article 15(4) of the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS Agreement) of 1994.
[544] Section 13(1) of the UK Standardised Packaging of Tobacco Products Regulations 2015.
[545] Marsoof (n. 542) 200.

they are not used for one of their declared classes of products.[546] The Trade Marks Directive provides this non-use proviso:

> 'A trade mark shall be liable to revocation if, within a continuous period of five years, it has not been put to genuine use in the Member State in connection with the goods or services in respect of which it is registered, and there are no proper reasons for non-use.'[547]

As with the previous issue of registration, tobacco plain packaging legislations clarifies that tobacco trade marks will not be declared as invalid because of non-use. For example, Article 28(3) of the Australian Plain Packaging legislation reads:

> '[T]he circumstance that a person is prevented, by or under this Act, from using a trade mark on or in relation to the retail packaging of tobacco products, or on tobacco products are not circumstances that make it reasonable or appropriate to revoke the registration of the trade mark.'[548]

UK products are similarly protected, as covered under paragraph 13(8) of the UK Standardised Packaging of Tobacco Products Regulations 2015:

> 'If any provision of these Regulations causes any non-use of the registered trade mark within the period of five years there mentioned, such provision is to be regarded as a proper reason for that non-use, provided that the

[546] Each trade mark must specify specify the class of goods or services it is registered against. See the Nice Classification, established by the Nice Agreement (1957): http://www.wipo.int/classifications/nice/nclpub/en/fr/20180101/classheadings/?explanatory_notes=show&lang=en&menulang=en, accessed 02 February 2018.
[547] Article 12(1) of Directive 2008/95/EC. This is also reflected in Article 19(1) of the Directive (EU) 2015/2436 and in Section 46(1)(a) of the UK Trade Marks Act 1994.
[548] Article 28(3) of the Australian Tobacco Plain Packaging Act.

registered trade mark would have been put to such genuine use as is there mentioned were these Regulations not in force.'[549]

Therefore, tobacco plain packaging legislation protects both the right to register new tobacco trade marks and the validity of existing ones; both word marks and figurative marks can be registered and enjoy exclusive rights. This is important for assessing the compatibility of tobacco plain packaging legislation with the European trade mark law system. This section concludes that tobacco plain packaging legislation does not interfere with the registration process or the exclusive rights conferred by a trade mark upon registration. If the provisions safeguarding these rights were absent, tobacco plain packaging legislation would raise controversial issues in relation to the essential functions of trade marks. However, its goal to regulate the use of tobacco trade marks on the tobacco packaging is achieved without extinguishing the rights to register and maintain the registration of tobacco trade marks.

The next section examines whether, while remaining registered and valid under tobacco plain packaging legislation, tobacco trade marks can be now considered as devoid of distinctive character. The question raised is whether the fact that tobacco trade marks must be only appear in a standardised way on tobacco packaging distorts the distinctiveness of tobacco trade marks.

4.4.2 Tobacco Plain Packaging Legislation and the Distinctive Character of Tobacco Trade Marks

As discussed above, tobacco plain packaging legislation clarifies that the non-use of trade marks on tobacco products cannot be considered reason to render trade marks invalid. As a result, if tobacco plain packaging legislation renders tobacco trade marks devoid of any distinctive character, they can still remain registered. However, there is a

[549] Section 13(8) of the UK Standardised Packaging of Tobacco Products Regulations 2015.

risk that the standardisation of trade marks that appear on the tobacco packaging can distort the ability of new tobacco trade marks to acquire distinctiveness. This section examines the requirement of distinctive character, the ability of new tobacco trade marks to acquire distinctiveness and as a result, whether tobacco plain packaging legislation affect the confusion test as defined by CJEU. These elements in relation to the distinctive character are examined in turn.

According to Article 3(1)(b) of the Trade Marks Directive, trade marks devoid of any distinctive character may not be registered or, if registered, are be liable to be declared invalid.[550] The CJEU underlines that 'a trade mark has distinctive character if it serves to distinguish, according to their origin, the goods or services in respect of which registration has been applied for.'[551] In other words, distinctive character can be found only if it enables consumers to differentiate between products or services from different undertakings.[552] Therefore, distinctiveness as explained by the Court is a doctrine drawn directly from the essential function of trade marks; a distinctive trade mark is a trade mark that is able to ensure the proper performance of its essential function.[553]

Beebe explains that the doctrine of distinctiveness is separated in two categories; two types of distinctiveness which although closely related, are not the same. The first one is the 'source distinctiveness'. Source distinctiveness enables the trade mark to perform its essential function and indicate trade origin undisturbed.[554] This type of distinctiveness is

[550] Directive 2008/95/EC. This is also reflected in Article 4(1)(b) of the Directive (EU) 2015/2436 and in Section 3(1)(b) of the UK Trade Marks Act 1994.

[551] *Koninklijke Philips Electronics NV v Remington Consumer Products Ltd,* C-299/99 [2003] 2 W.L.R. 294, 47. See also *Linde AG v Deutsches Patent-und Markenamt,* joined cases C-53/01 to C-55/01, [2003] ETMR 963, 40 and the UK case *London Taxi Corp Ltd (t/a London Taxi Co) v Fraser-Nash Research Ltd* [2016] EWHC 52 (Ch) 164.

[552] *Societe des produits Nestle v Mars UK Ltd*, C-353/03 [2005] 3 C.M.L.R. 12, 22.

[553] In *Nestle*, the CJEU provided some parameters for the proper examination of the quality of distinctive character: 'Distinctive character must be assessed in relation, on the one hand, to the goods or services in respect of which registration is applied for and, on the other, to the presumed expectations of an average consumer of the category of goods or services in question, who is reasonably well-informed and reasonably observant and circumspect.' *Ibid*, 25. See also, *Societe des Produits Nestle SA v Cadbury UK Ltd*, C 215/14 [2015] ETMR 50, 61.

[554] B. Beebe, 'Search and Persuasion in Trademark Law' 103 *Mich. L. Rev.* 2020 2005, 2029.

absolute in the sense that a trade mark either has it or not.[555] Therefore, no sign can be registered as a trade mark if it lacks source distinctiveness.[556] The second one is 'differential distinctiveness'. Differential distinctiveness is the strength of a trade mark to be distinctive from other marks comparatively.[557] Beebe characterises this distinctiveness as a form of 'semiotic value' and argues that this type of distinctiveness can be graded from lower to higher.[558] The different level of the strength of such differential distinctiveness is directly relevant with the impact the trade mark has on consumers.[559] To be developed, differential distinctiveness depends on the source distinctiveness.

In the case of tobacco products under the tobacco plain packaging legislation regime, at first glance, all tobacco packaging appears identical; only upon closer examination consumers can read the 'brand and variant' appearing on the packaging. Although the restrictive provisions of tobacco plain packaging legislation may affect the level of differential distinctiveness of tobacco trade marks, they do not affect the source distinctiveness. Source distinctiveness is safeguarded since the 'brand and variant' can appear on tobacco packaging and perform their essential function to indicate trade origin. However, the fact that the 'brand and variant' appear only in a standardised way, limits the ways these trade marks can be differentially distinctive. Without the use of font, colour and additional characteristics on tobacco trade marks, the trade mark proprietor is forced to create and maintain differential distinctiveness only by some letters in a set order; the chosen word.[560] For that reason, it may be easier for trade marks with an inherently distinctive character to maintain their differential distinctive

[555] G. B. Ramello, 'What's In A Sign ? Trademark Law And Economic Theory' *Journal of Economic Surveys* 4 2006, 557.
[556] T. R. Martino et al., 'The Quality Guarantee Function Of Trade Marks: An Economic Viewpoint' *E.I.P.R.* 1989, 11(8), 267.
[557] Beebe (n. 554) 2030.
[558] *Ibid*., 2031.
[559] G. B. Ramello, 'What's In A Sign ? Trademark Law And Economic Theory' *Journal of Economic Surveys* 4 2006, 557.
[560] See L. Hogarth et al., 'Plain Cigarette Packs Do Not Exert Pavlovian To Instrumental Transfer Of Control Over Tobacco-Seeking' *Addiction* 110 2014, 179, 'plain tobacco packs produced an overall 9% reduction in the priming of tobacco choice compared to branded tobacco packs.'

character under the provisions of tobacco plain packaging legislation.[561] Therefore, with so few visual differences apparent in tobacco packaging, although it may be difficult to maintain the differential distinctive character of standardised trade marks, the source distinctiveness remains.[562] In any case, as explained above, tobacco plain packaging legislation clarifies that no consequence of its provisions can be considered reason to render trade marks invalid.[563] Therefore, the ability of new tobacco trade marks to acquire distinctiveness and whether tobacco plain packaging legislation affect the confusion test as defined by CJEU are examined in turn.

Firstly, being the latest development of tobacco control, tobacco plain packaging legislation completely prohibits the promotion of tobacco trade marks and as a result it may prevent new tobacco trade marks from developing distinctive character. Under Article 3(3) of the Trade Marks Directive, a sign that initially lacked distinctive character can acquire such distinctive character through use made before the date of the application for registration.[564] According to the Court in *Windsurfing*, the following elements should be taken into account in order to assess whether distinctiveness was acquired through use:

> '[T]he market share held by the mark; how intensive, geographically widespread and long-standing use of the mark has been; the amount invested by the undertaking in promoting the mark; the proportion of the relevant class of persons who, because of the mark, identify goods as

[561] See A. Firth 'Shapes as Trade Marks: Public Policy, Functional Considerations and Consumer Perception' E.I.P.R. 2001, 23(2), 86-99.
[562] See W. Hugh et al., 'Smoke Signals: The Decline Of Brand Identity Predicts Reduced Smoking Behaviour Following The Introduction Of Plain Packaging' *Addictive Behaviors Reports* 5 2017, 52. This research found that brand identity decreased with the standardisation of products under tobacco plain packaging legislation.
[563] Section 13(1) of the UK Standardised Packaging of Tobacco Products Regulations 2015.
[564] Directive 2008/95/EC. This is also reflected in Article 4(4) of the Directive (EU) 2015/2436 and in Section 3 of the UK Trade Marks Act 1994.

originating from a particular undertaking; and statements from chambers of commerce and industry or other trade and professional associations.'[565]

However, in the case of trade marks registered in relation to tobacco products these elements cannot be developed. When tobacco plain packaging legislation is implemented in a given Member State, tobacco trade mark proprietors are unable to invest in the promotion of trade marks. Therefore, with tobacco plain packaging legislation in place, it is very difficult for new, unregistered trade marks to increase their market shares and create a distinctive character in the mind of the consumer.

Furthermore, the Court suggests that a trade mark can acquire distinctive character through use 'regardless of whether that use is as part of another registered trade mark or in conjunction with such a mark.'[566] The fact that tobacco plain packaging legislation does not allow any figurative trade marks to appear on the tobacco packaging does not allow new, unregistered tobacco trade marks to be used in conjunction with such trade marks. The fact that new, unregistered trade marks can only appear on the packaging in a standardized way as the 'brand and variant' puts tobacco trade marks in a disadvantageous position compared with new trade marks attempting to penetrate a different industry. As a result, the restricting provisions of tobacco plain packaging legislation may result to prevent the registration of signs that are not inherently distinctive and that have not yet acquired distinctiveness through use on tobacco products.

Secondly, it is examined whether the possibility of diminishing the distinctive character of tobacco trade marks may increase the likelihood of confusion of tobacco trade marks on the packaging. Article 5(1)(b) provides the confusion-related infringement provision of the Trade Marks Directive which protects registered trade marks against confusion

[565] *Windsurfing Chiemsee Produktions -und Vertriebs G.m.b.H. v Boots- und Segelzubehör Walter Huber and Another*, joined cases C-108/97 and C-109/97 [2000] 2 W.L.R. 205, 51.
[566] *Societe des Produits Nestle SA v Cadbury UK Ltd*, C 215/14 [2015] ETMR 50, 67.

with other signs. This provision enables trade mark proprietors to protect the essential function of their trade marks by preventing the use of an identical or similar sign on identical or similar goods where a likelihood of confusion is established.[567] The CJEU explains that the likelihood of confusion means situations where the public 'could believe that the goods or services come from the same undertaking or, as the case may be, from economically-linked undertakings'.[568] This likelihood of confusion should be regarding the trade origin of the trade mark.[569]

According to the CJEU, in order to assess whether likelihood of confusion exists, the trade mark and the sign must be 'appreciated globally, taking into account all factors relevant to the circumstances of the case.'[570] The 'overall impressions' given by the trade mark should be considered and, in particular, its 'distinctive and dominant components'.[571] Under this global appreciation test, four elements should be taken into account; the similarity of the marks, the similarity of the goods, the distinctiveness of the trade mark and the level of its recognition. Therefore, one of the factors in assessing confusion is the distinctiveness of the trade mark.[572]

[567] Directive 2008/95/EC: Without prejudice to the rights of proprietors acquired before the filing date or the priority date of the registered trade mark, the proprietor of that registered trade mark shall be entitled to prevent all third parties not having his consent from using in the course of trade, in relation to goods or services, any sign where […] the sign is identical with, or similar to, the trade mark and is used in relation to goods or services which are identical with, or similar to, the goods or services for which the trade mark is registered, if there exists a likelihood of confusion on the part of the public; the likelihood of confusion includes the likelihood of association between the sign and the trade mark. This is also reflected in Article 10(1)(b) of the Directive (EU) 2015/2436 and in Section 10(2)(b) of the UK Trade Marks Act 1994.
[568] *Canon Kabushiki Kaisha v. Metro-Goldwyn-Mayer*, C-39/97 [1999] 1 *C.M.L.R.* 77, 30.
[569] *Sabel BV v Puma AG*, C-251/95 [1998] 1 C.M.L.R. 445, 63. This interpretation followed subsequent cases. See for example *Consorzio per la Tutela del Formaggio Gorgonzola v Käserei Champignon Hofmeister GmbH & Co. KG and Eduard Bracharz GmbH*, C-87/97, [1999] 1 C.M.L.R. 1203, *Calvin Klein Trademark Trust v Office for Harmonisation in the Internal Market (Trade Marks and Designs) (OHIM)*, C-254/09 P [2011] E.T.M.R. 5, *Specsavers International Healthcare Ltd v Asda Stores Ltd*, C-252/12 [2013] Bus. L.R. 1277.
[570] *Ibid*, 22. See also *Ruiz-Picasso v Office for Harmonisation in the Internal Market (Trade Marks and Designs) (OHIM)*, C-361/04 P [2006] E.T.M.R. 29.
[571] *Ibid*, 23. See also *Celine Sarl v Celine SA*, C-17/06 [2007] E.T.M.R. 80.
[572] See I. Fhima et al., 'An Empirical Analysis of the Likelihood of Confusion Factors in European Trade Mark Law' IIC 2015, 46(3), 330.

The question raised is whether a global appreciation test to assess confusion in relation to tobacco trade marks after tobacco plain packaging could lead to the conclusion that tobacco plain packaging legislation increases the likelihood of confusion about the trade origin of tobacco products. Unsurprisingly, the tobacco industry supports the argument that the provisions of tobacco plain packaging legislation create confusion about trade origin that affects the average consumer.[573] Therefore, this chapter examines whether the absence of the distinguishing elements of the packaging disables consumers to tell one brand from the other.[574]

In order to assess this confusion, the CJEU uses the global assessment, having in mind the average consumer 'who is deemed to be reasonably well-informed and reasonably observant and circumspect.'[575] According to the Court, 'the average consumer's level of attention is likely to vary according to the category of goods or services in question.'[576] Being cheap and disposable, tobacco products do not fall in the category of products that consumers are likely to examine in depth before purchasing.[577] As a result, this can support the industry's claim that likelihood of confusion is likely to increase with the standardisation of tobacco products.

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[573] See Lalive Report, http://www.tobaccolabels.ca/wp/wp-content/uploads/2013/12/Philip-Morris-Intl-Why-Plain-Packaging-is-in-Violation-of-WTO-Members%E2%80%99-International-Obligations-2009.pdf, 7, accessed 1 May 2018, '[P]lain packaging creates the risk of confusion as to the origin and quality of tobacco products because it would prevent tobacco trademarks to be used to distinguish one product from another. Plain packaging would impose a standardized packaging of tobacco products which would in fact make all products look identical'.

[574] See E. Bonadio, 'Plain Packaging of Tobacco Products Under EU Intellectual Property Law' *E.I.P.R.* 2012 34(9) 599-608, 601. According to Bonadio, tobacco plain packing legislation 'would prevent tobacco trade marks from serving this institutional purpose, which is (as shown above) to help consumers to distinguish the products of an undertaking which consumers know and trust from those of another unknown competitor. Rather, consumers—who have a legitimate interest in being able to distinguish goods--would get confused as to the trade origin and quality of cigarettes.'

[575] *Lloyd Schuhfabrik Meyer & Co. GmbH v Klijsen Handel BV*, C-342/97 [1999] 2 C.M.L.R. 1343, 20.

[576] *Ibid*, 26. See also *Adidas AG v Marca Mode CV*, C-102/07 [2008] Bus. L.R. 1791 and *Marca Mode CV v Adidas AG and Adidas Benelux BV*, C-425/98 [2000] E.T.M.R. 723, 39.

[577] See J. Davis, 'Locating the Average Consumer: His Judicial Origins, Intellectual Influences and the Current Role in European Trademark Law' (2005) 2 *IPQ* 183 and J. Sheff, 'Biasing Brands' 32 *Cardozo L.Rev.* 1245 2010. These were characterised as experience goods see N. S. Economides, 'The Economics of Trademarks' 78 *Trademark Rep.* 523 1988, 537 and P. Nelson, 'Information and Consumer Behaviour' 78 *J.Pol.Econ.* 311 1970, 319.

However, this thesis argues that the provisions of tobacco plain packaging legislation do not amount to confusion in relation to *trade origin*. As explained above, this thesis supports the argument that tobacco plain packaging legislation does not affect source distinctiveness. This is because the word marks appearing on the tobacco packaging on a standardised way can perform their essential function and indicate trade origin. The fact that tobacco plain packaging legislation may affect the differential distinctiveness of tobacco trade marks, does not mean that tobacco plain packaging legislation affects the essential function of trade marks to be performed.

Furthermore, no study suggests that tobacco plain packaging legislation creates confusion in relation to the trade origin of tobacco products. On the contrary, findings of such researches can be used to support the argument that in fact tobacco plain packaging legislation safeguards the essential origin. For example, a study found that smokers pay 'limited attention' to the rest of the packaging when it is covered with health warnings.[578] Therefore, the more standardised the tobacco packaging, the easier it is for smokers to focus on the trade mark they are looking to buy.[579]

As a result, this thesis supports the view that although the restrictive provisions of tobacco plain packaging legislation does not allow any distinctive elements to appear on the packaging, it is unlikely that tobacco plain packaging legislation is going to create confusion in relation to trade origin. The standardisation of the packaging may contribute to the undermining of the differential distinctiveness and not the source distinctiveness. Nichols argues that differential distinctiveness is 'the soul' of a registered trade mark:[580]

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[578] P. Beede et al., 'The Effect of Plain Packages on the Perception of Cigarette Health Warnings' *Public Health* 1992 106 315-322, 321.

[579] International Trademark Association, Brief Of Amicus Curiae, Submitted To The Dispute Settlement Panel of The World Trade Organization in Cases Ds434, Ds435, Ds441, Ds458 & Ds467 of Australia — Measures Concerning Trademarks And Other Plain Packaging Requirements Applicable To Tobacco Products And Packaging, 10.

[580] C. D. Nichols et al., 'Trouble in Trademark Law: How Applying Different Theories Leaves Door Open for Abuse' 17 *SMU Sci. & Tech. L. Rev.* 1 2014, 12.

> 'The more distinctive a word or symbol is, the greater strength it has as an identifier of the product source. In the marketplace, a mark with greater distinction more easily suits trademark purposes. Thus, a producer is incentivized to adopt a highly distinct mark because it lends itself to greater protection. A strong mark — one with greater distinction — is easier to streamline into consumer consciousness as symbol of origin or ownership.'[581]

Consequently, although tobacco plain packaging legislation leaves 'brand and variant' trade marks alive, it takes away their soul. By registering tobacco trade marks, tobacco companies can safeguard their exclusive rights against their competitors. However, tobacco plain packaging legislation makes it very difficult to develop differential distinctiveness through the limited use of the standardised appearance of tobacco trade marks on tobacco products. This is because the standardisation of packaging restricts the maintenance of the 'persona' of a trade mark.[582] Such a persona, including all the direct and indirect associations around the product placement, the advertising and promotion around it, its history, and its provenance, is a central element of the success of a trade mark, as the following chapter discuss further. This persona, or soul, depends for its development and sustenance on strong marketing presence, and the first and foremost vehicle for these communications is the product's own packaging.[583] As a result, the provisions of tobacco plain packaging legislation may be found to allow tobacco word marks to perform their essential function and maintain their source distinctiveness even if they prevent differential distinctiveness from being further developed or acquired.

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[581] *Ibid*, 13. For a criticism of trade marks acquiring distinctiveness see L. Anemaet, 'The Public Domain is Under Pressure - Why we should not rely on Empirical Data when Assessing Trade Mark Distinctiveness' IIC 2016, 47(3), 304.

[582] S. A. Rose, 'Will Atlas Shrug? Dilution Protection for 'Famous' Trademarks: Anti-Competitive 'Monopoly' or Earned 'Property' Right?' 47 Fla. L. Rev. 653 1995, 715.

[583] See section 7.2.

4.5 Conclusion

The main question addressed by this chapter was whether the provisions of tobacco plain packaging distort the essential function of tobacco trade marks. As mentioned above, for the adoption and harmonisation of trade mark law in the European Union, the Commission highlighted that trade mark law 'depends ultimately on the functions which are attributed to the trade mark.'[584] This chapter illustrated the impact of the attribution of such functions on the development of European trade mark law, analysed the development of the indication of the trade origin function of trade marks, which is characterised as the *essential* function, and underlined its importance in developing the core trade mark law principles by the CJEU and the provisions of the Trade Mark Directive.[585]

As concluded in this chapter, tobacco plain packaging legislation safeguards the exclusive rights that trade marks confer upon their proprietors and allows new trade marks to be registered for tobacco products. Furthermore, this chapter examined whether the provisions of tobacco plain packaging legislation affect the distinctiveness of tobacco trade marks. As explained in the introductory section, there are two categories of tobacco trade marks under tobacco plain packaging legislation; trade marks that cannot appear on the tobacco packaging and trade marks that may appear on the tobacco packaging in a standardised way. Although they can remain registered in relation to tobacco products, the trade marks that cannot appear on the tobacco packaging are not able to perform their essential function. They can still be used in relation to any other permitted purposes; nevertheless, the fact that they are not permitted to appear on the tobacco packaging prohibits them from indicating the trade origin of tobacco products.

[584] Commission of the European Communities (n. 493) 68.
[585] Directive 2008/95/EC.

Despite this, there is also the category of trade marks which have the limited opportunity to appear on tobacco packaging in a standardised way. These trade marks can be used as the 'brand or variant' on the packaging and perform their essential function to indicate trade origin. However, this chapter argued although tobacco plain packaging legislation is not likely to affect the source distinctiveness of pre-existing trade marks, it is highly likely that it will prevent new trade marks from acquiring such distinctiveness.

In conclusion, the importance of the essential function of trade marks lies in the fact that it determines core trade mark law provisions. In addition to this function, more 'ancillary' functions are attributed on trade marks for the development of other trade mark provisions. These functions are characterised as the modern function of trade marks. Accordingly, the next chapter analyses the modern functions of trade marks and explores their interaction with tobacco plain packaging legislation.

Chapter Five

The Modern Functions of Trade Marks as the Theoretical Basis of Tobacco Plain Packaging Legislation

5.1 Introduction

The modern functions of trade marks are all functions beyond the essential function of trade marks. By describing this set of functions as 'modern',[586] this thesis distinguishes between the essential function and these other functions. The essential function of trade marks, as developed over time, has been used for the purposes of indication of ownership, workmanship, origin and quality. It is the most important function, as for any other functions of trade marks to exist, the essential function must be protected.[587] Having examined the interaction of the essential function of trade marks with tobacco plain packaging legislation, this thesis turns its focus to the modern functions of trade marks and argues they are used as the theoretical basis behind tobacco plain packaging legislation.

McClure explains that these modern functions enable trade marks to act as symbols of goodwill,[588] and therefore be 'exploited to the commercial advantage of the holder.'[589] Furthermore, according to Gielen, the modern functions must be protected since they encompass the way trademarks promote, advertise and communicate in the marketplace:

> 'The modern approach is that a trade mark functions as a means of identification and communication. The origin of a product is of no

[586] See J. Tarawneh, 'A New Classification for Trade Mark Functions' *I.P.Q.* 2016 4 352-370

[587] A. Kur, 'Trade marks function, don't they? CJEU jurisprudence and unfair competition practises', IIC 2014, 45(4), 452

[588] For a definition of goodwill and further discussion, see chapter three.

[589] D. M. McClure, 'Trademarks and Unfair Competition: A Critical History of Legal Thought' 69 Trademark Rep. 305 1979, 311.

> importance to consumers. A mark is a sign which enables consumers to identify a product or a service; it facilitates the choice in the marketplace. For manufacturers and retailers a mark makes it possible to promote and advertise their products and services in an efficient manner. Furthermore the trade mark serves as a means to communicate information, both rational and emotional. In other words, the trade mark is a messenger. It is of the utmost importance that these modern functions of a trade mark are protected.'[590]

The current European trade mark law system protects the modern functions of trade marks under two provisions of the Trade Marks Directive. Firstly, the modern functions of trade marks expanded the protection conferred by Article 5(1)(a) of the Trade Marks Directive by the Court of Justice of the European Union.[591] Under Article 5(1)(a) the trade mark proprietor can prevent the use of any sign which is 'identical with the trade mark and is used in relation to goods or services which are identical with those for which the trade mark is registered'. Developed in relation to identical signs and identical goods or services, Article 5(1)(a) has been referred to as the 'double identity' infringement provision. As is explained below, the fact that likelihood of confusion is not explicitly required for the particular provision gave grounds to CJEU to develop the functions doctrine.

[590] C. Gielen, 'Harmonisation of Trade Mark Law in Europe: The First Trade Mark Harmonisation Directive of the European Council' *E.I.P.R.* 1992 14(8), 264.

[591] Article 5(1)(a) of Directive 2008/95/EC of the European Parliament and the Council of 22 October 2008 to approximate the laws of the Member States relating to trade marks (Directive 2008/95/EC). This is also reflected in Article 10(2)(b) of Directive (EU) 2015/2436 of the European Parliament and of The Council of 16 December 2015 to approximate the laws of the Member States relating to trade marks (Directive (EU) 2015/2436) and in Section 10(1) of the UK Trade Marks Act 1994. According to Article 54 of the Directive (EU) 2015/2436, the member states have to implement the changes that it requires by January 2019, except the changes required by Article 54 which must be implemented by January 2023.

In addition to their role in the double identity infringement provision, the modern functions of trade marks are protected under the anti-dilution[592] provision found in Article 5(2) in the Trade Marks Directive.[593] Relying on this provision, a trade mark proprietor of a trade mark with reputation can prevent the use of 'any sign where the sign is identical with, or similar to, the trade mark' without proving any likelihood of confusion.[594] Like with the double identity provision, the very fact that no likelihood of confusion is needed to establish infringement under the anti-dilution provision means that this provision is not concerned with the essential function of indicating the trade origin. Instead, the provision is related to the modern functions of trade marks. The anti-dilution provision has two branches that aim to attack two forms of dilution.[595] The first element the provision protects against is dilution by blurring. When aiming to protect their trade marks against dilution by blurring, trade mark proprietors must show that the use of that sign is 'detrimental to the distinctive character' of the trade mark. The second is 'dilution by tarnishment'. In order to raise a case for dilution by tarnishment, trade mark proprietors must show that the use of that sign is detrimental to the repute of the trade mark.

[592] Dilution is an American term. Section 4 of the American Federal Trademark Dilution Act of 1995 amending the American Trademark Act of 1946 and as amended by the American Trademark Dilution Revision Act of 2006 defines dilution as 'the lessening of the capacity of a famous mark to identify and distinguish goods or services, regardless of the presence or absence of- (1) competition between the owner of the famous mark and other parties, or (2) likelihood of confusion, mistake, or deception.' See also K. Assaf, 'The Dilution Of Culture And The Law Of Trademarks' 49 *IDEA* 1 2008-2009. However, the term is also used in relation to European Trade mark Law – see for example H. Carty, 'Dilution And Passing Off: Cause For Concern' *L.Q.R.* 1996, 112(Oct), 632-666 and A. Breitschaft, 'Intel, Adidas & Co - is the jurisprudence of the European Court of Justice on dilution law in compliance with the underlying rationales and fit for the future?' *E.I.P.R.* 2009, 31(10), 497-504.

[593] Article 5(2) of the Directive 2008/95/EC. This is also reflected in Article 10(2)(c) of the Directive (EU) 2015/2436 and in Section 10(3) of the UK Trade Marks Act 1994. See Gielen (n. 590) 266 and P. Prescott, 'Has the Benelux Trademark Law Been Written into the Directive?'*E.I.P.R.* 99 1997, arguing that Benelux, the politico-economic union of Belgium, the Netherlands and Luxembourg influenced the inclusion of the anti-dilution provision in European Trade Mark law.

[594] See section 5.5.1.

[595] Under Article 5(2) of the Directive 2008/95/EC, a trade mark proprietor of a trade mark with reputation can also prevent the use of a sign where that use takes unfair advantage of the distinctive character or the repute of the trade mark in question. See *L'Oréal SA v Bellure NV*, C-487/07 [2010] R.P.C. 1, 49. However, since protection against unfair advantage does not fall under the dilution provision and does not follow dilution's reasoning as explained in this chapter, this falls outside the scope of this thesis.

This chapter explains how these modern functions of trade marks recognised under the European trade mark law system form the theoretical basis of tobacco plain packaging legislation and hence are used for the curtailment of the trade mark interests of the tobacco industry. Before tobacco plain packaging legislation was introduced, the more functions were attributed on trade marks for the development of trade mark law, the more power was given to trade mark proprietors. For example, the attribution of the modern function to trade marks led to the development of the infringement provisions of trade mark law that do not require confusion.[596] However, tobacco plain packaging legislation recognises the power of the modern functions of trade marks and uses it to diminish the market power of trade marks.[597] By allowing the use of a 'brand and variant' appearing in a standardised way and prohibiting the use of any other trade marks,[598] this thesis suggests that tobacco plain packaging legislation attempts to substantially limit the effect of the modern functions.[599]

Therefore, the recognition of the modern functions is used in conflicting ways. While the double identity and anti-dilution provisions aim to enhance these functions in order to maximise the rights of the trade mark proprietor, tobacco plain packaging legislation arguably undercuts the modern functions for the greater good, namely preservation of public health. This is the result of the different interests taken into account by legislators while developing different trade mark law provisions, as will be discussed in details in chapter seven.[600]

[596] See n. 593.
[597] For example, according to Section 10 of The Standardised Packaging of Tobacco Products Regulations 2015 (UK), no tobacco packaging may contain an element or feature that promotes a tobacco product. Also, according to Section 3 of the Australian Tobacco Plain Packaging Act 2011, the intention of the Act is to reduce the appeal of tobacco products to consumers.
[598] The 'brand and variant' refers to the two lines of information allowed by tobacco plain packaging legislation to be appeared on tobacco packaging. Hereinafter 'brand and variant'. See Figure 1.
[599] J. Griffiths, '"On the Back of a Cigarette Packet": Standardised Packaging Legislation and the Tobacco Industry's Fundamental Right to (Intellectual) Property' *I.P.Q.* 2015, 4, 368.
[600] See also section 7.4.2.

Accordingly, this chapter is divided into seven sections. Following the introductory section, section 2 analyses the origin of the modern functions of trade marks. Section 3 explains the development of the functions doctrine under the double identity infringement provision by the CJEU. In section 4, this thesis argues how the modern functions are the theoretical basis of tobacco plain packaging legislation. Section 5 examines the interaction of the anti-dilution provision with the provisions of tobacco plain packaging legislation and explores the potential consequences of the contradicting uses of the modern functions of trade marks. Finally, section 6 explains how the modern functions of trade marks and their role in both the infringement provisions discussed in this chapter and tobacco plain packaging legislation are considered to be a source of controversy in contemporary trade mark law debates. In essence, the recognition of the modern functions of trade marks for the development of both provisions lacks universal acceptance.

5.2 Defining the Modern Functions of Trade Marks

The need for the legal recognition of more functions of trade marks in addition to the essential function was first expressed by Frank Schechter in his seminal article *The Rational Basis of Trademark Protection*.[601] Since Schechter's arguments have influenced the way trade marks are perceived over almost a century, this section uses the main three elements of his suggestion to define the justification of the recognition of the modern functions of trade marks.[602] In essence, Schechter's reasoning for the

[601] F. Schechter, 'The Rational Basis of Trademark Protection' 40 *Harv.L.Rev.* 1927.

[602] Bone suggests that in the first decade after its publication, 'The Rational Basis of Trademark Protection' received favourable commentary, see R. G. Bone, 'Schechter's Ideas in Historical Context and Dilution's Rocky Road' 24 *Santa Clara Computer & High Tech. L.J.* 469 2007 at 490 footnotes 107-109. Furthermore, according to Shapiro, it is the most cited law review article in the subject of intellectual property, see F. R. Shapiro et al., 'The Most-Cited Law Review Articles of All Time', 110 *Mich. L. Rev.* 1483 2012, 1500. See for example Harvard Law Review Comment, 'Dilution: Trademark Infringement or Will-O'-The-Wisp?' 77 *Harv. L. Rev.* 520 1964 at 520, J. R. Lunsford Jr., 'Consumers and Trademarks: The function of Trademarks in the Market Place' 64 *Trademark Rep.* 75 1974 at 78, E. W. Hanak III, 'The Quality Assurance Function of Trade Marks' 65 *Trademark Rep.* 318 1975 at 318, B. W. Pattishall, 'The Dilution Rationale For Trademark - Trade Identity Protection, Its Progress And Prospects' 71 *Nw. U. L. Rev.* 618 1976-1977 at 618, Gerard N. Magliocca, One and Inseparable: Dilution and Infringement in Trademark Law, 85 *Minn. L. Rev.* 949 2001

recognition of the modern functions of trade marks is that trade marks can develop the power to sell goods and hence be of great value to their proprietors. As a result, he argued that the uniqueness of trade marks accommodates this power and therefore the modern functions should be protected. These three elements are examined in turn.

Firstly, Schechter underlines that the concept of trade marks as solely indicators of origin is outdated.[603] By taking for granted the protection of the essential function of trade marks, he argued that a mark's economic power governs its worth;[604] the selling power of trade marks does not lie in the essential function of indicating the trade origin.[605] For the selling power to be protected, according to Schechter, the law should create a provision that recognises and safeguards the modern functions of trade marks.

The reasoning behind the protection of the modern functions of trade marks is characterised as a 'major commercial theme of this century'.[606] Since they can communicate more information than trade origin,[607] trade marks play a role of tremendous importance in the economy.[608] In essence, trade marks can develop into powerful communication tools[609] that connect with consumers psychologically and

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at 956, D. R. Gerhardt, 'Consumer Investment in Trademarks' 88 *N.C. L. Rev*. 427 2010 at 444, J. C. Fromer, 'The Role of Creativity in Trademark Law' 86 *Notre Dame L. Rev.* 1885 2011 at 1904, J. B. Swann, 'The Evolution of Dilution in the United States from 1927 to 2013', 103 *Trademark Rep.* 721 2013 at 725, H. Sun, 'Reforming Anti-Dilution Protection in the Globalization of Luxury Brands' 45 *Geo. J. Int'l L.* 783 2014 at 791, Sandra L. Rierson, 'The Myth and Reality of Dilution' 11 *Duke L. & Tech. Rev.* 212 2013 at 214, A. Takano, 'Diluted Reality: The Intersection of Augmented Reality and Trademark Dilution' 17 *Chi.-Kent J. Intell. Prop.* 189 2017 at 193, K. L. Port, 'The Commodification of Trademarks: Some Final Thoughts on Trademark Dilution' 46 *Hofstra L. Rev.* 669 2017 at 671.

[603] Schechter (n. 601) 822.

[604] *Ibid*, 831. See also I. S. Fhima, 'Dilution by Blurring - A Conceptual Roadmap' *I.P.Q.* 2010, 1, 44-87, 46.

[605] See also Lunsford J. R. Jr., 'Consumers and Trademarks: The function of Trademarks in the Market Place' 64 *Trademark Rep.* 75 1974, 78.

[606] N. M. Dawson, 'Famous And Well-Known Trade Marks - "Usurping A Corner Of The Giant's Robe"' *I.P.Q.* 350 1998, 4, 382.

[607] C. Davies, "To Buy or not to Buy: The Use of a Trade Mark as a Communication Tool Rather than as a Link Between a Product and its Source—a Further Consideration of the Concept of Dilution' *E.I.P.R.* 35(7) 373 2013.

[608] I. Calboli, 'Trademark Assignment "With Goodwill": A Concept Whose Time Has Gone' *Fla. L. Rev.* 771 2005, 774.

[609] Davies (n. 607) 373.

emotionally.[610] Trade marks have the ability to identify an entire lifestyle[611] and offer an experience to the consumer.[612] The way a trade mark is perceived can stimulate public imagination[613] and shape beliefs and values.[614] For these reasons, trade marks are seen as economically valuable sale devices[615] with great commercial value.[616] As a result, this value developed by trade marks is encompassed within the modern functions of trade marks.[617] Schechter's view is that these functions should be legally recognised[618] in order to enhance the selling power of trade marks.[619]

Secondly, for Schechter, a trade mark's fundamental aim is the attraction and retention of customers.[620] Trade marks can develop magnetism[621] and be used to attract consumers that want to buy into the spiritual or psychological experience that the trade mark offers.[622] Furthermore, trade mark proprietors invest in creating an emotional connection between trade marks and consumers,[623] since this connection generates repeat purchases.[624] As examined in chapter three, the creation and retention of custom is an important element in the creation of goodwill. Schechter explained that the creation of goodwill is the most powerful function of trade marks. According to his

[610] K. Assaf, 'Brand Fetishism' 43 *Connecticut Law Review* 83 2009.
[611] T. D. Drescher, 'The Transformation and Evolution of Trademarks – From Signals to Symbols to Myth' 82 *Trademark Rep.* 301 1992, 339.
[612] I. D. Manta, 'Hedonic Trademarks' 74 *Ohio St. L.J.* 241 2013, 254.
[613] S. Lux, 'Evaluating Trade Mark Dilution from the Perspective on the Consumer', 34 *U.N.S.W.L.J.* 1053 2011, 1053.
[614] D. R. Gerhardt, 'Consumer Investment in Trademarks' 88 *North Carolina Law Review* 427 2010, 459.
[615] F. S. Cohen, 'Transcendental Nonsense and the functional approach' 35 *Colum. L. Rev.* 809 1935, 814.
[616] H. Rosler, 'The Rationale for European Trade Mark Protection' *E.I.P.R.* 100 2007,106.
[617] J. Shaeffer, 'Trademark Infringement and Dilution are Different - It's Simple' 100 *Trademark Rep.* 808 2010, 815.
[618] See also M. A. Naser, 'Re-Examining Functions in Trademark Law' 8(1) *Chi.Kent J.Intell.Prop.* 102 2008, 105.
[619] S. Carter, 'The trouble with trademarks' 99 *Yale L.J.* 759 1989-1990, 762.
[620] Schechter (n. 601) 822.
[621] A. L. Blythe, 'Attempting to define unfair advantage: an evaluation of the current law in light of the recent European decisions' *E.I.P.R. 2*012, 34(11), 755.
[622] G Ramello et al., 'Appropriating Signs and Meaning: the Elusive Economics of Trademark' 15(6) *Industrial and Corporate Change* 937 2006, 949.
[623] I. Fhima, 'Dilution by blurring - a conceptual roadmap', *I.P.Q.* 2010, 1, 44, 86.
[624] A. Chronopoulos, 'Legal and Economic Arguments for the Protection of Advertising Value Through Trade Mark Law' 4(4) *Queen Mary Journal of Intellectual Property* 256 2014, 258.

reasoning, it is the trade mark, through the universal satisfaction guarantee which it provides, that 'actually sells the goods'.[625] As such, the selling power of trade marks can be recognised and protected through the modern function of trade marks.[626]

Finally, as a consequent result of these two elements of Schechter's analysis, he argued that 'the more distinctive the mark, the more effective is its selling power.'[627] His theory was, therefore, developed on the basis that the incontrollable uses of trade marks on different products and services harm the distinctiveness of trade marks even in the absence of confusion.[628] In other words, since trade marks can communicate more information to consumers than trade origin,[629] damage to trade mark distinctiveness can distort the mental connection between trade marks and consumers, even without confusion about trade origin.[630] Schechter concluded that the 'uniqueness and singularity' of a trade mark plays a greater role than the merits of the actual goods or service for the increase of sales.[631] As further discussed in chapter six, this gives the incentive to trade mark proprietors to invest in this uniqueness,[632] and enable trade marks to become products themselves.[633]

In conclusion, the way trade marks evolved from mere indicators of origin to tools of maintaining an emotional and psychological connection with the consumers led to the need for the legal recognition of the modern functions of trade marks.[634] These modern functions were used by CJEU to expand the protection conferred under the double

[625] Schechter (n. 601) 818. See also J. B. Swann, 'An Interdisciplinary Approach to Brand Strength' 96 *Trade Mark Reporter* 943 2006, 945.
[626] See also Schechter F. I., 'Fog and Fiction in Trade-mark protection' 36 *Colum. L. Rev.* 60 1936, 65.
[627] Schechter (n. 601) 818.
[628] *Ibid*, 825. See also N. M. Dawson, 'Trade Mark Law and the Creation and Preservation of Well-Known Brands' 49 *N. Ir. Legal Q.* 343 1998, 360.
[629] J. Sheff, 'Biasing Brands' 32 *Cardozo Law Review* 1245 2010.
[630] Fhima (n. 623) 88.
[631] *Ibid*, 831. See also D. R. Desai, From Trademarks to Brands, 64 *Fla. L. Rev.* 981 2012.
[632] A. Griffiths. 'Trade Marks and Responsible Capitalism' *IIC* 2012, 43(7), 809.
[633] G. S. Lunney, 'Trademark Monopolies' 48 *Emory L. J.* 367 1999, 424. See also J. Litman, 'Breakfast with Batman: The Public Interest in the Advertising Age' 108 *Yale L.J.* 1717 1998-1999, 1720.
[634] Tarawneh (n. 586) 358.

identity cases[635] and also serve as the reasoning behind the anti-dilution provision of the Trade Marks Directive.[636] These two provisions and their interaction with tobacco plain packaging legislation are examined in turn.

5.3 The Development of the Functions Doctrine in the Double Identity Cases by the CJEU

This thesis argues that the modern functions of trade marks are the theoretical basis of tobacco plain packaging legislation. Before examining the modern functions of trade marks in the light of tobacco plain packaging legislation, this section analyses the way that the modern functions are recognised by the CJEU and how they are used to expand the protection conferred in the double identity cases. As explained above, the CJEU developed the functions doctrine in cases relevant to the Directive's double identity provision. According to Article 5(1)(a) of the Directive, any uses in the course of trade of any sign which is identical with the trade mark in relation to goods or services which are identical with those for which the trade mark is registered can be prevented by the trade mark proprietor. In order to understand how the function doctrine was developed, the relevant cases must be examined.

After the implementation of the first Trade Marks Directive, several double identity cases arose.[637] The way the CJEU dealt with these cases led to the development of the functions doctrine. The first double identity case that reached the CJEU is *Hölterfhoff.*[638] In this case the CJEU holds that the exclusive rights a trade mark provides under Article

[635] Article 5(1)(a) of the Directive 2008/95/EC.
[636] Article 5(2) of the Directive 2008/95/EC. See Gielen (n. 590) 264.
[637] First Council Directive 89/104/EEC of 21 December 1988 to approximate the laws of the Member States relating to trade marks (First Trade Marks Directive), revisited in 2008 with Directive 2008/95/EC (see n. 596).
[638] *Michael Hölterhoff v Ulrich Freiesleben*, C-2/00, [2002] E.T.M.R. 79. Before *Hölterhoff, Silhouette International Schmied G.m.b.H. & CO. K.G. v Hartlauer Handelsgesellschaft M.B.H.*, C-355/96 [1998] 3 W.L.R. 1218 and *Bayerische Motorenwerke A.G. and Another v Ronald Karel Deenik*, C-63/97 [1999] 1 C.M.L.R. 1099 referred to Article 5(1)(a) but they did not purport to interpret its meaning. See also A. Kur, 'Trade marks function, don't they? CJEU jurisprudence and unfair competition practises' *IIC* 2014 45(4), 437.

5(1)(a) of the first Trade Marks Directive cannot be exercised by the trade mark proprietor when the trade mark is used 'solely to denote the particular characteristics' of the goods on offer. According to the facts of the case, Hölterfhoff used Freiesleben's registered trade mark to describe the characteristics and qualities of the ornamental stones he produced and sold himself. Therefore, the Court said that it allows the descriptive use of a trade mark by a third party only when it is clear that the trade mark is used only for descriptive purposes and when this use does not mislead as to the indication of origin of the product.[639]

This decision of the CJEU was criticised by Jacob LJ in a later UK case.[640] He suggested that the CJEU could come to the same result by using Article 6 of the first Trade Marks Directive where the limitations of the rights are conferred.[641] Under Article 6(1)(b) of the same Directive: 'a trade mark shall not entitle the proprietor to prohibit a third party from using, in the course of trade signs or indications which are not distinctive or which concern 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.' However, in deciding *Hölterfhoff*, the Court preferred to refer to the possible effects this use would have on the functions of trade marks. It appears that since reference to the functions of trade marks was made in the years before the implementation of the first Trade Marks Directive, as discussed in the previous chapter, the CJEU apparently preferred to develop this reasoning instead of highlighting the exception under Article 6. Therefore, from the very first double identity case, the CJEU established its willingness to use trade mark functions as the reasoning in deciding claims in relation to Article 5(1)(a).

[639] *Ibid*, 17.
[640] *L'Oréal SA v Bellure NV*, [2010] R.P.C. 23.
[641] *Ibid*, 26. This is also reflected in Article 6(1)(b) of Directive 2008/95/EC, Article 14(1)(b) of the Directive (EU) 2015/2436 and in Section 11(2)(b) of the UK Trade Marks Act 1994.

A year later, in *Arsenal*, the second double identity case, the Court expanded the functions doctrine. It held that *any* use of trade marks that affects their functions infringes on the rights of the trade mark even if it is not in the course of trade. The defendant was selling unofficial scarves and other items with the Arsenal logo attached to them. In the main proceedings, confusion could not be established since Reed displayed a banner informing the customers that the products he was selling were not official.[642] Although the Court explicitly stated that the facts of this case were 'fundamentally different' from those of *Hölterfhoff*, it held its judgement in relation to the functions of trade marks, as it did in *Hölterfhoff*.[643] It was held that the rights conferred to trade mark proprietors under Article 5(1)(a) must enable them to ensure that their trade marks can fulfil their functions.[644] The Court decreed that a trade mark proprietor can rely on Article 5(1)(a) to prevent a use of an identical sign for identical goods or services that 'affects or is liable to affect the functions of the trade mark, in particular its essential function of guaranteeing to consumers the origin of the goods.'[645]

Consequently, since no confusion existed in this case, the Court ruled that protection under Article 5(1)(a) is provided for the preservation of the functions of trade marks. It should be noted that the wording of the Court (that the protection should shield the functions in general but the essential function *in particular)*, is identical to the wording of Recital 16 of the Directive (which states that the function of a registered trade mark is 'in particular to guarantee the trade mark as an indicator of origin'). In other words, the Court was explicitly using the legal door left open by the Directive to justify the functions doctrine.

[642] *Arsenal FC Plc v Reed*, C-206/01 [2003] 1 C.M.L.R. 12, 20.
[643] *Ibid,* 55. See also the opinion of Jacobs AG in *Adidas-Salomon AG and Another v Fitnessworld Trading Ltd*, C-408/01 [2004] 2 W.L.R. 1095 and *Shield Mark BV v Kist*, C-283/01 [2004] 2 W.L.R. 1117.
[644] *Ibid,* 51. This was followed in *O2 Holdings Ltd and another v Hutchison 3G UK Ltd*, C-533/06 [2009] Bus. L.R. 339 and *Elizabeth Florence Emanuel v Continental Shelf 128 Ltd*, C-259/04 [2006] E.T.M.R. 56.
[645] *Ibid*. See also *Adam Opel AG v Autec AG*, C-48/05 [2007] E.T.M.R. 33 and *The Gillette Company and Another v LA-Laboratories Ltd Oy*, C-228/03 [2005] 2 C.M.L.R. 62.

By citing the reasoning of *Hölterhoff*, the Court also said that in order to protect the essential function of trade marks, the trade mark proprietor should be protected 'against competitors wishing to take unfair advantage of the status and reputation of the trade mark by selling products illegally bearing it.'[646] In other words, the Court underlined that letting other competitors take unfair advantage of the reputation of the trade mark affects the essential function. Although protection against unfair advantage of reputable trade marks is offered by the Directive under the anti-dilution provision, the CJEU was prepared to protect trade marks against such advantage under Article 5(1)(a) *in order to protect the essential function*. For that reason *Arsenal* is argued to be the cornerstone decision which serves as the basis for the creation of the functions doctrine in double identity cases. After *Arsenal* it was clear that Article 5(1)(a) can be used by trade mark proprietors with the aim of protecting any functions of their trade marks.

Furthermore, in *Arsenal*, the Advocate General agreed with the Court that other functions of trade marks (besides the essential one) should be protected:

> 'It seems to me to be simplistic reductionism to limit the function of the trade mark to an indication of trade origin. [...] Experience teaches that, in most cases, the user is unaware of who produces the goods he consumes. The trademark acquires a life of its own, making a statement, as I have suggested, about quality, reputation and even, in certain cases, a way of seeing life.'[647]

According to the Advocate General, it is irrelevant what the consumer thinks about the trade mark. He explains that what is worthy of protection is not the 'feeling' of the consumer but the fact that the consumer made a purchase 'on account of the fact that

[646] *Ibid,* 50. See also *LTJ Diffusion SA v Sadas Vertbaudet SA*, C-291/00 [2004] 2 W.L.R. 1117 and *Davidoff & Cie SA and another v Gofkid Ltd*, C-292/00 [2003] 1 W.L.R. 1714.
[647] Per Ruiz-Jarabo Colomer AG, *Arsenal* (n. 642) *Ibid*, A46.

the Article is identified with the trade mark'.[648] He continues by explaining that Reed was able to sell the products bearing the Arsenal trade mark precisely because 'they bear the signs which, under registered protection, identify the club.'[649] Therefore, the fact that Reed was clearly saying that the products are not authorised by Arsenal played little role in the mind of the consumers. Consequently, under the reasoning of both the Court and the Advocate General, Article 5(1)(a) can be used to protect against distortion of *any* function of trade marks.

Following *Arsenal*, the case that truly empowered the functions doctrine is *L'Oréal*.[650] In that case, Bellure and others produced and marketed imitations of fragrances produced and marketed by L'Oréal. Some of the bottles and packaging of the imitation fragrances were generally similar in appearance to the original fragrances. For the marketing of these products, comparative lists were used to indicate which original product corresponds to the imitation. In these lists, the *L'Oréal's* registered word marks were used and *L'Oréal* initiated, inter alia, a double identity infringement case.

The Court underlined that *Hölterfhoff* is 'fundamentally different' from this case. It was explained that although the use of the trade mark in *Hölterfhoff* was for 'purely descriptive purposes', in *L'Oréal* the use of trade marks was 'for the purpose of advertising'.[651] As a result it held that under Article 5(1)(a),[652] the exclusive rights of the trade mark proprietor 'to ensure that the trade mark can fulfil its functions' must be protected. In addition to the quality function which was already explained in *Arsenal*, the Court explicitly mentioned the communication, investment and advertising functions.[653] Furthermore, the Court underlined that the scope of protection conferred

[648] *Ibid*, A68.
[649] *Ibid*, footnote 50.
[650] The cases after *Arsenal* and before *L'Oréal* followed *Arsenal's* reasoning without further developing the doctrine of the functions of trade marks. See n. 643 – n. 646.
[651] *L'Oréal* (n. 595).
[652] Article 5(1)(a) of the Directive 2008/95/EC. This is also reflected in Article 10(2)(b) of the Directive (EU) 2015/2436 and in Section 10(1) of the UK Trade Marks Act 1994.
[653] *L'Oréal* (n. 595) 58.

by Article 5(1)(a) is broader than that provided by Article 5(1)(b).[654] Under Article 5(1)(a) a trade mark proprietor can oppose any use of an identical to his trade mark sign in relation to identical goods or services that is 'liable to cause detriment to any of the functions of that mark'.[655] Despite this, under Article 5(1)(b), the scope of protection is reduced because the element of likelihood of confusion must exist.

Kur argues that '[i]f proponents and opponents of the CJEU's jurisprudence on trade mark functions can agree on anything, this would probably be that the doctrine first *articulated* in *L'Oréal/Bellure.'*[656] Although this is true, it should be mentioned that reference to the communication, investment and advertising functions was made by the Advocate General Jacobs in *Dior*. In this case, Advocate General Jacobs suggested that other functions of trade marks such as the 'communication, investment or advertising [...] might require protection in certain circumstances'. However, he underlined that these functions derive from the origin function and therefore 'the court's emphasis on the origin function of trade marks was, and remains, an appropriate *starting point* for the interpretation of Community law relating to trade marks.'[657] Advocate General Jacobs referred to these functions citing Cornish's book *Intellectual Property*.[658] Therefore, although Advocate General Jacobs was the first to refer to these functions of trade marks, the CJEU refers to them for the first time in *L'Oréal*, empowering the functions doctrine.

Lord Jacob in the referring Court of *L'Oréal*,[659] expressed his concerns in relation to the additional functions of trade marks thus, 'I am bound to say that I have real difficulty with these functions when divorced from the origin function. There is nothing in the

[654] This is also reflected in Article 10(2)(b) of the Directive (EU) 2015/2436 and in Section 10(2)(b) of the UK Trade Marks Act 1994.
[655] *Ibid*, 60. See also A. Blythe, 'Attempting to define unfair advantage: an evaluation of the current law in light of the recent European decisions'*, E.I.P.R.* 2012, 34(11), 755.
[656] Kur (n. 638) 435, emphasis added.
[657] *Parfums Cristian Dior SA & Another v Evora BV*, C-337/95 [1998] 1 C.M.L.R. 737, AG42, emphasis added.
[658] W. R. Cornish, *Intellectual Property* (Sweet & Maxwell, 1994, Third Edition), 527, 529.
[659] Court of Appeal (England and Wales) (Civil Division).

legislation about them. Conceptually they are vague and ill-defined.'[660] He further said, by way of example, that under the conclusions of the CJEU, all comparative advertising 'is likely to affect the value of the trade mark owner's investment.'[661] Similar criticism about *L'Oréal* was expressed by the commentary. For example, Kur suggests that *L'Oréal* resulted in confusion, being biased heavily in the direction of the trade mark holder and expanding protection in such a way that the existing opaque terminology was no further clarified.[662]

In *Google France*, the CJEU affirmed its decision in *L'Oréal*. It was held that Article 5(1)(a) should offer protection to all functions of trade marks. The dispute in *Google France* arose in relation to Google 'AdWords'. 'AdWords' is a service that allows anyone to buy a keyword. When this keyword is entered in Google's search engine as a search term, advertisement of the purchaser's website are triggered before the 'natural' results of the search. The Court held that the use of trade marks as keywords in the 'AdWords' service constitutes an infringement under Article 5(1)(a) when that use affects the functions of trade marks.[663] The Court once more referred to communication, investment and advertising functions.[664] In order to assess whether a use is considered to impact the functions of trade marks and therefore be infringing, the court explained that one should examine whether the use of trade marks as keywords in the 'AdWords' service constituted use in the course of trade.

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[660] per Jacob LJ, L'Oréal (n. 640) 30.
[661] *Ibid.*
[662] Kur (n. 638) 438. Also, Jehoram suggests that the CJEU does not help to bring legal certainty or clarity in trade mark law: T. C. Jehoram, 'The Function Theory in European Trade Mark Law and the Holistic Approach of the CJEU' 102 *Trademark Rep.* 1243 2012. For further criticisms see also A. Horton, 'The Implications of L'Oréal v Bellure - A Retrospective and a Looking Forward: The Essential Functions of a Trade Mark and when is an Advantage Unfair?' *E.I.P.R.* 2011, 33(9), 550-558, C. Morcom, 'L'Oréal v Bellure - Who Has Won?' *E.I.P.R.* 2009 31(12) 627-635, M. Bjorkenfeldt, 'The Genie is Out of The Bottle: The ECJ's Decision in L'Oréal v Bellure.' *J.I.P.L.P.* 2010, 5(2), 105-110, K. Dowell, 'L'Oréal Victory Deemed Anti-Competitive.' *Lawyer* 2010, 24(22), 6, G. Wurtenberger, 'L'Oréal SA v Bellure NV: An Opinion.' *J.I.P.L.P.* 2010, 5(10), 746-747.
[663] *Google France SARL v Louis Vuitton Malletier SA*, joined cases C-236/08 to C-238/08 [2011] Bus. L.R. 1, 75.
[664] *Ibid*, 77.

When it is considered as a mere 'commercial communication', this use does not constitute use in the course of trade. The Court found that when the webpage of the proprietor of the trade mark will appear in list of the 'natural' results, the use of the keyword that corresponds to the trade mark does not affect the advertising function of the trade mark.[665] Despite this, the Court held that when it is regarded as an offer of an alternative to the goods or services the proprietor of the trade mark offers, this use constitutes 'use in the course of trade' within the meaning of the Directive.[666]

Following *Google France*, *Interflora* was also in relation to an issue about the 'AdWords' service. In that case the Court examined, inter alia, whether uses of keywords that correspond to trade marks affect the investment function of the trade mark and infringement can therefore be satisfied under Article 5(1)(a). The Court held that the investment function is infringed when the use of such keywords 'substantially interferes with the proprietor's use of its trade mark to acquire or preserve a reputation capable of attracting consumers and retaining their loyalty'.[667] Finally, in *L'Oréal v Ebay*, the Court followed the same reasoning for protecting the communication, investment and advertising functions.[668] Although Advocate General Jääskinen criticised that '[t]here is no terminological or substantial consensus as to how the "functions" of the trade mark should be understood',[669] the CJEU persisted in the development of the functions doctrine.[670] In conclusion, in the reasoning behind these double identity cases, the CJEU

[665] *Ibid*, 56, 97, 98. See also A. Blythe, 'A Useful Test For Trade Mark Use: An Analysis Of Current CJEU Guidance And The Difference Between Defining Use Online And Offline' *E.I.P.R.* 2016, 38(9), 564.
[666] *Ibid*, 69.
[667] *Interflora v Marks & Spencer*, C-323/09 [2012] F.S.R. 3, 66.
[668] *L'Oréal SA v eBay*, C-324/09 [2011] E.T.M.R. 52, 97, emphasis added.
[669] Per Jääskinen AG, *Ibid*, AG46, Footnote 20.
[670] The cases that followed *Interflora* followed the reasoning of CJEU analysed in this section. See *Daimler AG v Együd Garage Gépjármujavító és Értékesíto Kft*, C-179/15 [2016] Bus. L.R. 632 at 26, W*F Gözze Frottierweberei GmbH and another v Verein Bremer Baumwollbörse*, C-689/15 [2017] Bus. L.R. 1795 at 42 and *Ornua Co-operative Ltd v Tindale & Stanton Ltd España SL*, C-93/16 [2018] Bus. L.R. 319 at 58. See also the UK cases *Supreme Petfoods Ltd v Henry Bell & Co (Grantham) Ltd*, [2015] EWHC 256 (Ch) at 128, *Cartier International Ltd v British Telecommunications Plc*, [2016] EWHC 339 (Ch) at 51 and Argos Ltd v Argos Systems Inc, [2017] EWHC 231 (Ch) at 241.

created and developed the functions doctrine.[671] The absence of the requirement of confusion gave the Court the freedom to create a doctrine relating to the modern functions of trade marks. Article 5(1)(a) is therefore considered to offer an expansion of the protection of trade mark rights since it is a tool that protects virtually all functions of trade marks.

In a 2011 report entitled 'Study on the Overall Functioning of the European Trade Mark System', the Max Planck Study expressed the view that the modern functions of trade marks '*do not play an autonomous role* in defining the scope of protection under Article 5(1)(a)'[672] and that 'an adverse effect on these functions has no relevance for protection under the double identity rule.'[673] Moreover, it added that further functions can be found under the doctrine of reputation, arguing that the goodwill function includes reputation, or that that reputation could be classed as the mark's worth as a communication tool, removing the incentive to acknowledge further trade mark functions.[674] As a result of this study and its academic criticism, the expansive interpretation of the Article 5(1)(a) received,[675] the Commission made an attempt to

[671] See *Leidseplein Beheer v Red Bull GmBH*, C-65/12 [2014] *E.T.M.R.* 24, 32 wherein the Court explained that the functions doctrine was its way of putting the absolute protection conferred by Article 5(1)(a) into 'perspective'. See also M. Senftleben, 'Function Theory And International Exhaustion: Why It Is Wise To Confine The Double Identity Rule In EU Trade Mark Law To Cases Affecting The Origin Function', *E.I.P.R.* 2014, 36(8), 521.

[672] Max Planck Institute for Intellectual Property and Competition Law, 'Study on the Overall Functioning of the European Trade Mark System' Munich, 15.02.2011, 2.184.

[673] *Ibid*.

[674] *Ibid*, 2.186. Cf. A. Kur, 'The EU Trademark Reform – (Too) Bold a Step Ahead or Back to Status Quo?' 19(1) *Marq. Intell. Prop. L. Rev.* 31. Kur argues that the provisions of the proposal would lead to 'new puzzlements and fruitless debates'.

[675] See n. 662. See also M. Senftleben, 'Trade Mark Protection - A Black Hole In The Intellectual Property Galaxy?', *IIC* 2011, 42(4), 385. Senftleben argues that the CJEU imposed the recognition of the communication, investment and advertising functions since the recognition and protection of these functions were optional under the anti-dilution provision of Directive 2008/95/EC. Note, however, that the implementation of an anti-dilution provision under Directive (EU) 2015/2436 is compulsory for all Member States.

clarify the ambiguities it created with a proposal for a new Trade Marks Directive in 2013.[676]

The Explanatory Memorandum of the proposal highlighted that the interpretations of Article 5(1)(a) of the Directive 2008/95/EC in relation to the functions of trade marks produced legal uncertainty and inconsistency.[677] To change this, the Commission proposed to be clarified that in double identity cases 'it is only the origin function which matters.'[678] This is reflected in Recital 19 of the Proposed Directive where it is stated that for uses in double identity cases, 'protection should be granted to a trade mark only if and to the extent that the main function of the trade mark, which is to guarantee the commercial origin of the goods or services, is adversely affected.'[679] Furthermore, the double identity provision in the proposed Directive suggested that use of a trade mark in a double identity case should constitute infringement 'where such use affects or is liable to affect the function of the trade mark to guarantee to consumers the origin of the goods or services'.[680] However, the third Trade Marks Directive was adopted in 2015 without any of these proposed amendments.[681] It makes no clarifications and leaves the functions doctrine to develop unaffected.

As such, therefore, the European trade mark law system encompasses the use of the functions doctrine developed by the CJEU for the promotion and protection of the

[676] Commission Proposal for a Directive of the European Parliament and of the Council to Approximate the Laws of the Member States relation to Trade Marks, Brussels, 27.3.2013, COM (2013) 162 final, 2013/0089 (COD).
[677] Ibid, Explanatory Memorandum, 6. See also Max Planck Institute for Intellectual Property and Competition Law, 'Study on the Overall Functioning of the European Trade Mark System' Munich 15.02.2011, http://ec.europa.eu/internal_market/indprop/docs/tm/20110308_allensbach-study_en.pdf, accessed 28 February 2018.
[678] *Ibid*. See also M. Senftleben, 'Function Theory and International Exhaustion: Why it is wise to Confine the Double Identity Rule in EU Trade Mark Law to cases Affecting the Origin Function' *E.I.P.R.* 2014, 36(8), 518-524. Senftleben argued that the proposed reform would bring legal certainty in the European trade mark law system.
[679] *Ibid*, Recital 19.
[680] *Ibid*, Article 10(1)(a).
[681] Directive (EU) 2015/2436 (see n.591) was adopted following the revision of the Commission's proposal. See Proposal for a Directive of the European Parliament and of the Council to Approximate the Laws of the Member States relation to Trade Marks, Brussels, 8.6.2015, 2013/0089 (COD).

modern functions of trade marks. In the next section, this thesis argues that the modern functions of trade marks, as both explained by the academic literature and recognised by the CJEU, form the theoretical basis of tobacco plain packaging legislation.

5.4 The Functions Doctrine and Tobacco Plain Packaging Legislation

This thesis argues that tobacco plain packaging legislation shares the same theoretical basis as the functions doctrine and, in particular, the modern functions of trade marks. Just like the functions doctrine, tobacco plain packaging legislation was conceived to combat and exploit the modern functions of trade marks. Tobacco plain packaging legislation standardises the word marks of tobacco products, associates them with text and image warnings and prohibits the use of figurative trade marks. The fact that the 'brand and variant' are visible on the tobacco packaging allows the indication of trade origin. However, as explained in the previous sections, trade marks can communicate more information than trade origin.[682] Therefore, tobacco plain packaging legislation aims to affect the modern functions of trade marks or in Schechter's terminology, on the 'selling power' of trade marks.[683]

Tobacco control literature supports the argument that the modern functions of trade marks form the basis of tobacco plain packaging legislation. Alemanno stresses that the aim of tobacco plain packaging legislation is to diminish the attractiveness of tobacco trade marks.[684] The restrictive provisions of tobacco plain packaging legislation can diminish the use of trade marks as advertising tools that aim to attract and seduce consumers.[685] Therefore, the standardisation of packaging denies the trade mark the power to play a role in wider persuasive advertising campaign which is considered

[682] J. Swann et al., 'Trademarks and Marketing' 91 *Trademark Reporter* 787 2001, 790.
[683] See also J. Davis, 'To protect or serve? European trade mark law and the decline of the public interest', *E.I.P.R.* 2003, 25(4), 184
[684] A. Alemanno, 'Nudging Smokers - The Behavioural Turn of Tobacco Risk Regulation' 3 *Eur. J. Risk Reg.* 32 2012, 36.
[685] C. Gielen, 'Trademark Dilution Under European Law' 104 *Trademark Rep.* 693 2014, 693.

compulsory in our 'impersonal marketplace'.[686] Furthermore, before the implementation of tobacco plain packaging legislation, Maniatis and Sanders argued that the distribution of tobacco products in plain packaging would affect the modern functions of trade marks:

> 'A radical solution is to make the trade mark meaningless by elimination: sell tobacco products in uniform packaging bearing a generic label and, automatically, their consumption will become less attractive. There will be no medium to convey either a message or an image. Tobacco will then become unfashionable and the act of smoking less recreational.'[687]

Therefore, the purchase of a tobacco product in plain packaging cannot be associated with a particular 'lifestyle or attitude'.[688] This is because tobacco plain packaging legislation reduces the communication between the tobacco packaging and the consumer through the disablement of a trade mark's visual identity.[689] As explained above, trade marks can be developed to symbolise desirable values,[690] and therefore have a psychological impact on consumers.[691] The standardisation of tobacco products aims to eliminate any such positive attributions on tobacco trade marks.[692]

Although more time is needed to fully assess the impact of tobacco plain packaging legislation on tobacco usage levels, a study published in 2017 (only five years after the implementation of the Australian Tobacco Plain Packaging Act 2011) concludes that tobacco plain packaging legislation has the potential to reduce the influence of tobacco

[686] Dawson (n. 606) 382.
[687] S. Maniatis et al., 'A Quixotic Raid Against The Tobacco Mill' *E.I.P.R.* 1997 19(5), 239.
[688] M. Senftleben, 'The Trademark Tower of Babel - Dilution Concepts in International, US and EC Trademark Law' *IIC* 2009 40(1) 45-77, 46.
[689] N. McKeganey et al., 'Tobacco Plain Packaging Legislation: Evidence Based Policy or Public Health Advocacy?' *Int. J. Drug Policy* 26 (2015) 560–568, 567.
[690] Tarawneh (n. 586) 368.
[691] J. Jacoby, 'The Psychological Foundations of Trademark Law: Secondary Meaning, Genericism, Fame, Confusion and Dilution' 91 *Trademark Reporter* 1013 2001.
[692] J. B. Sr. Swann et al., 'Trademarks and Marketing' 91 *Trademark Reporter* 787 2001, 797.

trade marks when they prompt tobacco usage.[693] Therefore, tobacco plain packaging legislation not only removes the communication, investment and advertising functions of tobacco trade marks,[694] but it also substitutes them for information about the consequences of smoking. Griffiths argues that the amplification of the modern functions of trade marks can 'change the nature of products' by adding to them a set of positive values.[695]

In the same vein, this thesis argues that the suppression of these functions under tobacco plain packaging can also result in changing the perception of the nature of the products. The alteration of the effects on the modern functions of trade marks has an inverse effect to the information about the particular product. The fewer functions a trade mark can perform on a given packaging, the more information can be communicated to the consumer.[696] In other words, while it removes the advertising function trade marks serve,[697] tobacco plain packaging breaks any link, emotional or psychological, which trade marks have developed with the consumers.[698] This gives the packaging the potential to communicate other information to consumers.[699] As a result, tobacco plain packaging legislation replaces the transmission of the modern functions of tobacco trade marks with a barrage of educational information emanating from the text and pictorial warnings.

In conclusion, the combination of the Court's willingness to recognise the modern functions to expand trade mark law and the Commission's apathy in reforming the latest

[693] A. McNeill et al., 'Tobacco Packaging Design for Reducing Tobacco Use' *Cochrane Database of Systematic Reviews* 2017 Issue 4, 7.
[694] *L'Oréal* (n. 595) 58.
[695] A. Griffiths, 'The Trade Mark Monopoly: An Analysis Of The Core Zone Of Absolute Protection Under Art.5(1)(a)' *I.P.Q.* 312 2007, 323.
[696] P. Beede et al., 'The Effect of Plain Packages on the Perception of Cigarette Health Warnings' *Public Health* 1992 106 315-322, 320.
[697] M. Bartholomew, Advertising and the Transformation of Trademark Law, 38 *N.M. L. Rev.* 1 2008 and M. Bartholomew, Advertising and Social Identity, 58 *Buff. L. Rev.* 931 2010.
[698] M. Chon, 'Trademark Goodwill as a Public Good: Brands and Innovations in Corporate Social Responsibility' 21 *Lewis & Clark L. Rev.* 277 2017, 286.
[699] A. Atkinson et al., 'Economic Aspects of Reducing Smoking' *The Lancet* 3 September 1997, 494.

Directive empowers the use of the modern functions of trade marks on other provisions that affect trade marks. More specifically, by taking into account Fhima's view that the 'the recognition of the modern functions of trademarks is a natural result of the evolution of consumer society',[700] this thesis argues that the use of these modern functions for the development of tobacco control legislations should also be seen as natural. Tobacco plain packaging legislation sees trade marks in the same way as the reasoning behind the expanded protection under Article 5(1)(a); as symbolic devices on the packaging of products that communicate more information than trade origin.[701] The next section examines the anti-dilution provision of the Trade Marks Directive and its interaction with tobacco plain packaging legislation.

5.5 The Anti-Dilution Provision and its Relevance with Tobacco Plain Packaging Legislation

Tobacco plain packaging legislation promotes different interests to the anti-dilution provision. The primary aim of the anti-dilution provision is to enhance the powers of a trade mark proprietor. In contrast, tobacco plain packaging legislation aims to safeguard public health. The anti-dilution provision therefore intends to strengthen the modern functions while tobacco plain packaging legislation purports to suppress them. Although different interests are served under these provisions, this section argues that both the anti-dilution infringement provision and tobacco plain packaging legislation are justified by the recognition of the modern functions of trade marks. Accordingly, this section covers the use of the modern function of trade marks for the development of the anti-dilution provision and compares it with the use of the same functions for the justification of tobacco plain packaging legislation. In order to do so, this section explores the requirement of reputation, the element of uniqueness and the provision protecting against trade mark tarnishment.

[700] S. Fhima, 'The Court of Justice's Protection of the Advertising Function of Trademarks - An (Almost) Sceptical Analysis' (2011) 6(5) *JIPLP* 325, 329.
[701] S. Diamond, 'The Historical Developments of Trademarks' 65 *Trademark Rep.* 265 1975, 290.

5.5.1 Reputation as a Requirement of the Anti-dilution Provision

Although Schechter suggests that anti-dilution trade mark protection without the requirement of confusion should be given to *distinctive* trade marks, the Trade Marks Directive gives this protection to *reputable* trade marks.[702] Although the potential effect of the reputation of tobacco trade marks under tobacco plain packaging legislation is analysed in chapter three, this section examines the requirement of reputation as developed under European trade mark law and its relevance to tobacco plain packaging legislation. It is argued that while the anti-dilution provision aims the protection of such reputation, tobacco plain packaging legislation may prevent its preservation.

The CJEU explained the term 'reputation' in *General Motors*. According to the CJEU, whether a trade mark has a reputation or not can be assessed by undertaking a global appreciation test. A trade mark can be considered reputable when it is known by a significant part of the relevant public; this can be the general public.[703] Furthermore, the Court lists some parameters that should be taken into account by the national court when examining the reputation of a given trade mark:

> 'In examining whether this condition is fulfilled, the national court must take into consideration all of the relevant facts of the case, in particular the market share held by the trade mark, the intensity, geographical extent and duration of its use, and the size of the investment made by the undertaking in promoting it.'[704]

[702] Directive (EU) 2015/2436 of the European Parliament and of The Council of 16 December 2015 to approximate the laws of the Member States relating to trade marks.
[703] *General Motors v. Yplon*, C-375/97 [1999] 3 *C.M.L.R.* 427, 24.
[704] *Ibid.*, 27. See also *Nieto Nuno v Monlleo Franquet*, C-328/06 [2008] E.T.M.R. 12 at 17, *Leno Merken BV v Hagelkruis Beheer BV*, C-149/11 [2013] Bus. L.R. 928 at 52-53, *Pago International GmbH v Tirolmilch Registrierte Genossenschaft mbH*, C-301/07 [2010] E.T.M.R. 5 at 22-28 and UK case *Sky Plc & Ors v Skykick UK Ltd & Anor*, [2018] EWHC 155 (Ch) at 307.

There are two reasons why the anti-dilution protection is offered to trade marks with reputation and not merely to trade marks with a distinctive character. Firstly, it is argued that distinctiveness could not justify the additional protection the anti-dilution provision offers. Since under Article 3 of the Trade Marks Directive no trade mark devoid of distinctive character can be registered, all trade marks have the potential to be distinctive.[705] Offering anti-dilution protection to distinctive trade marks would amount to offering it to all trade marks. Furthermore, making the anti-dilution provision accessible to all trade marks would defeat its purpose to offer additional protection to 'more distinctive' trade marks.[706] Therefore, the Trade Marks Directive interprets the notion of 'excessive distinctiveness' as inherently tied to the concept of 'reputation'.[707]

Secondly, as mentioned above, the focus on the modern functions of trade marks and the absence of the requirement of confusion renders the anti-dilution provision difficult to justify.[708] The fact that anti-dilution protection is offered only to trade marks with reputation justifies this provision.[709] Senftleben suggest that the concept of distinctiveness is not able to capture the communication between the trade mark and the consumers that is needed to justify the protection offered by the anti-dilution provision:

[705] Directive 2008/95/EC. This is also reflected in Article 4 of the Directive (EU) 2015/2436 and in Section 3 of the UK Trade Marks Act 1994.

[706] In Schechter's words, 'the more distinctive the mark, the deeper is its impress upon the public consciousness, and the greater its need for protection.' Schechter (n. 601) 825.

[707] P. Loughlan, 'Trade Marks: Property rights and Their Limits' 31 *Monash U. L. Rev.* 2005, 275.

[708] See for example J. Moskin, 'Dilution or Delusion: The Rational Limits of Trademark Protection' 83 *Trademark Reporter* 122 1993, 130, describing the process in which a trade mark is said to be diluted a murky one and suggesting that this will lead to incoherent applications of the provision by the Courts, 125, K. Port, "The 'Unnatural' Expansion of Trademark Rights: Is a Federal Dilution Statute Necessary?" 18 *Seton Hall Legislative Journal* 433 1994, challenging whether the anti-dilution provision is theoretically justified and N. Klein, *No Logo: Taking Aim at the Brand Bullies* (Picador, 2001) 302, expressing concerns that the anti-dilution provision will harm consumers and the society and D. R. Gerhardt, 'Consumer Investment in Trademarks' 88 *N.C. L. Rev*. 427 2010, 431 arguing that 'the expansion of trademark law is resulting in trends that ignore or harm consumer interests'.

[709] Cf. C. Gielen, 'Harmonisation of trade mark law in Europe: the first trade mark harmonisation Directive of the European Council', E.I.P.R. 1992, 14(8), 267. Gielen argues that reputation 'is not a very important criterion' since the trade mark has to be merely known within 'interested circles'.

> 'As a symbol evoking a whole bundle of associations, trademarks begin to 'speak' to consumers. The substantive requirement corresponding to this communication function is not distinctive character. It is not sufficient that the sign concerned can be distinguished from other signs used in the market. By contrast, a trademark only 'speaks' in the outlined sense if it has some additional (advertising) message attached to it. In substantive trademark law, the requirement of 'reputation' or 'repute' more aptly reflects this constellation.'[710]

Furthermore, he explains that the protection of reputation under the anti-dilution provision 'justifies the extension of protection to dissimilar goods or services, corresponds to the marketing strategies of the [trade mark proprietors of reputable trade marks], and satisfies their protection needs.'[711] Therefore he agrees with the fact that while the protection of distinctive character is a matter of the confusion-based infringement provision, the protection of reputation is safeguarded by the anti-dilution provision.[712]

As analysed in chapter three, this thesis argues that tobacco plain packaging legislation is likely to prevent the creation and maintenance of 'excessive individualisation' of trade marks that sustains or grows reputation. According to Bonadio, the prohibition of figurative trade marks and the standardisation of word marks neutralises the effects of the associations created through branding and as a result, tobacco trade marks can no longer perform their advertising function.[713] Brown argues that reputation is heavily

[710] Senftleben (n. 688) 48.
[711] *Ibid*, 71. See also R. Burrell et al., 'Reputation In European Trade Mark Law: A Re-Examination', *ERA Forum* 2016, 17(1), 89.
[712] See Max Planck Institute for Intellectual Property and Competition Law, 'Study on the Overall Functioning of the European Trade Mark System' Munich, 15.02.2011, 2.105.
[713] E. Bonadio, 'Bans and Restrictions on the Use of Trademarks and Consumers' Health' *I.P.Q.* 2014 4 326-345, 344.

based on advertising and attracts customers.[714] Being the 'repository' of reputation,[715] the standardisation of tobacco trade marks is likely to affect the reputation that resides in tobacco trade marks.

Schechter's theory in the *Rational Basis of Trademark Protection*, as discussed above, constitutes the basis of the anti-dilution provision. With the added element of reputation, trade mark law provides an additional protection to proprietors of trade marks with reputation. Since the anti-dilution provision does not require confusion, it is entirely based on the modern functions of trade marks. Therefore, tobacco plain packaging legislation shares the same basis as the anti-dilution provision because they are both primarily based on the modern functions of trade marks. The following section explains the importance of the uniqueness of trade marks and the protection against dilution by blurring in relation to tobacco plain packaging legislation.

5.5.2 The Uniqueness of Trade Marks and the Protection against Dilution by Blurring

For both the first branch of the anti-dilution provision and tobacco plain packaging legislation, the uniqueness of a trade mark in the marketplace plays an important role, enhancing the modern functions of trade marks. These two provisions are discussed in turn. The first branch of the anti-dilution provision is protection against dilution by blurring. Under this provision, the trade mark proprietor of a trade mark with reputation can use Article 5(2) of the Trade Marks Directive to prevent uses of a sign which are detrimental to the distinctive character of the trade mark.[716] As explained in the previous chapter, Beebe separates the doctrine of distinctiveness in two categories;

[714] R. S. Brown Jr, 'Advertising and the Public Interest Legal Protection of Trade Symbols' *Y.L.J* 57 7 Jun. 1948 1165-1206, 1186, footnote 85.
[715] S. Roper et al., *Corporate Reputation, Brand and Communication* (Pearson Education, 2012) 118.
[716] Article 5(2) of the Directive 2008/95/EC. This is also reflected in Article 10(2)(c) of the Directive (EU) 2015/2436 and in Section 10(3) of the UK Trade Marks Act 1994.

source distinctiveness and differential distinctiveness.[717] The anti-dilution provision mainly aims to safeguard the differential distinctiveness of trade marks. In contrast with source distinctiveness, differential distinctiveness is said to have levels and it can be grated from lower to higher.[718]

The importance of distinctiveness in relation to the anti-dilution provision originated in Schechter's theory discussed above.[719] He explains that a trade mark should only be used by a unique trader.[720] Repeated uses of the same trade mark from various traders dilute the trade mark and blur its distinctiveness. According to Schechter, the law should prevent the distortion of such distinctiveness: 'The more distinctive or unique the mark, the deeper is its impress upon the public consciousness, and the greater its need for protection against vitiation or dissociation from the particular product in connection with which it has been used.'[721] This protection enables trade mark proprietors to exploit the uniqueness of their reputable trade marks to the maximum, since it gives them 'unfettered access to the consumer's mind'.[722] The CJEU limited the uses of the provision against dilution by blurring by imposing a proviso that two preconditions must be met for such use: the establishment of a link and the change in the economic behaviour of the average consumer.

Firstly, in *Adidas*, the CJEU clarified that a sign can be held as similar to the mark when the relevant section of the public 'establishes a link between them even though it does not confuse them'.[723] In *Puma*, it was further explained that in order to determine whether this link exists, the 'visual, aural or conceptual' similarities between the sign

[717] G. B. Ramello, 'What's In A Sign ? Trademark Law And Economic Theory' *Journal of Economic Surveys* 4 2006, 557.
[718] *Ibid*.
[719] For a deep analysis of Schechter's dilution of uniqueness see B. Beebe, 'A Defense of the New Federal Trademark Antidilution Law' 16 *Fordham Intell. Prop. Media & Ent. L.J.* 1143 2006, 1145.
[720] See also B. Beebe, 'Search and Persuasion in Trademark Law', 103 *Mich. L. Rev.* 2020 2005, 2030.
[721] Schechter (n. 601) 825.
[722] M. LaFrance, 'No Reason to Live: Dilution Laws as Unconstitutional Restrictions on Commercial Speech' 58 *S. C. L. Rev.* 709 2007, 721.
[723] *Adidas-Salomon v Fitnessworld Trading*, C-408/01 [2004] F.S.R. 21, 29.

and the 'distinctive and dominant components'[724] of the trade mark should be taken into account. Therefore, although the anti-dilution provision does not require confusion, it requires the creation of a link.[725]

Secondly, in *Intel*, the CJEU held that in order to contend that detriment to the distinctive character of a trade mark took place, 'evidence of a *change in the economic behaviour of the average consumer* of the goods or services for which the earlier mark was registered consequent on the use of the later mark, or a serious likelihood that such a change will occur in the future' is required.[726] The precondition of evidence of a change in the economic behaviour of the average consumer has been criticised by scholars. Fhima argues that this requirement forms a 'superfactor' for the provision against dilution by blurring due to the high level of difficulty in finding proof of change in the economic behaviour of the average consumer.[727] Furthermore, Farley explains that it is difficult to prove that dilution by blurring causes such harm (the change of the economic behaviour), because it is non-existent.[728] However, regardless of whether it is difficult to provide evidence of a change in the economic behaviour of the average consumer, this requirement is legally effective.

In the same lines, as it is difficult to find evidence of change in economic behaviour when blurring occurs, it is also difficult to prove that tobacco plain packaging legislation

[724] *Sabel BV v Puma AG*, C-251/95 [1998] 1 C.M.L.R. 445, 23.
[725] See also See also *Medion AG v Thomson multimedia Sales Germany & Austria GmbH*, C-120/04 [2006] E.T.M.R. 13 at 27, *Malaysia Dairy Industries Pte Ltd v Ankenævnet for Patenter og Varemærker*, C-320/12 [2013] Bus. L.R. 1106 at 28 and *T.I.M.E. ART Uluslararasi Saat Ticareti ve dis Ticaret AS v Office for Harmonisation in the Internal Market*, C-171/06 P [2007] E.T.M.R. 38 at 27.
[726] *Intel Corporation Inc v CPM*, C-252/07 [2009] R.P.C. 15, 77, emphasis added.
[727] I. Fhima, *Trade Mark Dilution in Europe and the United States* (Oxford University Press, 2011) 4.118. See also B. W. Pattishall, 'Dawning Acceptance Of The Dilution Rationale For Trademark-Trade Identity Protection' 74 *Trademark Rep.* 289 1984, 304, where he characterises the harm by dilution as 'peculiarly incorporeal'.
[728] C. H. Farley, 'Why We Are Confused About the Trademark Dilution Law' 16 *Fordham Intell. Prop. Media & Ent. L.J.* 1175 (2006), 1183. See also H. Carty, 'Dilution And Passing Off: Cause For Concern' L.Q.R. 1996, 112(Oct), 655, where she is questioning whether dilution can be proved.

has met its aims to reduce the harm of smoking.[729] As explained in chapter three, currently the research is at a premature stage and as a result, it is difficult to prove when and to what extend tobacco plain packaging legislation will reduce smoking levels.[730] Therefore it is difficult to prove that neither the provision against dilution by blurring nor tobacco plain packaging legislation successfully prevent the harm they aim to address. As a consequence, it is difficult to prove that the two provisions meet their aims to control the operation of the modern functions of trade marks. However, even without evidence of their effectiveness, both provisions attempt to control the selling power of trade marks.

While the anti-dilution provision is concerned with the *differential distinctiveness* of the trade mark, Howells argues that tobacco plain packaging legislation is concerned with the *individualisation* of the trade mark since it aims to prevent aspirational marketing associations.[731] By preventing figurative marks and standardising the way word marks appear on tobacco packaging, tobacco plain packaging legislation forces tobacco products to be sold only in what is described as 'generic packaging'.[732] This generic packaging diminishes the individualisation of tobacco trade marks in the sense that the only difference between various tobacco packs is the appearance of the standardised word mark.[733] As a result, this lack of individualisation affects the differential distinctiveness of tobacco trade marks.

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[729] J. Thrasher et al., 'Estimating the Impact of Pictorial Health Warnings and "Plain" Cigarette Packaging: Evidence from Experimental Auctions Among Adult Smokers in the United States' *Health Policy* 102 (2011), 47.

[730] J. C. Andrews, 'Effects of Plain Package Branding And Graphic Health Warnings On Adolescent Smokers In The USA, Spain And France' *Tob Control* 2016 25, 125 and A. McNeill et al., 'Tobacco Packaging Design for Reducing Tobacco Use' *Cochrane Database of Systematic Reviews* 2017 Issue 4, 30.

[731] G. Howells, *The Tobacco Challenge – Legal Policy and Consumer Protection* (Ashgate, 2011) 270, emphasis added.

[732] See E. Bonadio, 'Tobacco plain packaging of tobacco products under EU intellectual property law' *E.I.P.R.* 2012, 34(9), 599-608, 601: 'The loss of tobacco trade marks' distinctiveness is the major concern stemming from the adoption of generic packaging: it is thus an argument in the hands of the opponents of this marketing restriction measure.'

[733] For the importance of the individualisation of tobacco packs see V. Parr et al., 'Market Research to Determine Effective Plain Packaging of Tobacco Products' Report Prepared for: Australian Department of Health and Ageing August 2011, 8.

There is a need to clarify here that tobacco plain packaging legislation does not aim to diminish the differential distinctiveness of tobacco packaging by allowing tobacco trade marks to be used uncontrollably on various goods or services. Just like any other trade marks with reputation, tobacco trade marks are protected against uses that threaten their differential distinctiveness in this sense if the two preconditions explained above are met. What tobacco plain packaging legislation aims to attack is the *individuality* of the packaging of tobacco products. Although the distortion of differential distinctiveness that dilutes the market and the distortion of individualisation of tobacco trade marks under tobacco plain packaging legislation occur in different ways, the consequences of their occurrence are the same: they affect the uniqueness of a trade mark in a way that may lead to the reduction of sales. The next section compares the elements of the provision against dilution by tarnishment with tobacco plain packaging legislation.

5.5.3 Tobacco Plain Packaging Legislation and the Protection against Dilution by Tarnishment

Following the examination of the requirement of reputation and the protection against the uniqueness of trade marks, this section focuses on the provision against dilution by tarnishment and its interaction with tobacco plain packaging legislation. It argues that tobacco plain packaging legislation is developed by taking into account the same 'attraction function' which the provision against dilution by tarnishment concerns. Therefore, this section explains the vital role the recognition of the 'power of attraction' plays in relation to both the protection against tarnishment and tobacco plain packaging legislation and analyses the potential paradox the coexistence of the two provisions may bring to light.

Although tarnishment is the least explored branch of the anti-dilution provision in the CJEU, the Directive's wording and a Court's reference help define its scope. Tarnishment

is the second branch of the anti-dilution provision under Article 5(2) of the Trade Marks Directive.[734] According to the Directive, the provision against dilution by tarnishment can be used by the proprietor of a trade mark to prevent all uses of signs that are detrimental to the repute of the trade mark.[735] In *L'Oréal*, the CJEU, in line with the opinion of the Advocate General Jacobs in *Adidas-Salomon*,[736] explained that tarnishment protects 'the power of attraction' of a trade mark with reputation:[737]

> 'As regards detriment to the repute of the mark, also referred to as 'tarnishment' or 'degradation', such detriment is caused when the goods or services for which the identical or similar sign is used by the third party may be perceived by the public in such a way that the trade mark's power of attraction is reduced. The likelihood of such detriment may arise in particular from the fact that the goods or services offered by the third party possess a characteristic or a quality which is liable to have a negative impact on the image of the mark.'[738]

Therefore, the CJEU underlines that with the absence of the requirement of confusion, the tarnishment provision is based on the 'power of attraction' function of trade marks.[739] It is explained that a tarnished reputable trade mark becomes detached from

[734] Article 5(2) of the Directive 2008/95/EC. This is also reflected in Article 10(2)(c) of the Directive (EU) 2015/2436 and in Section 10(3) of the UK Trade Marks Act 1994.
[735] See also M. Handler, 'What Can Harm the Reputation of a Trademark: A Critical Re-Evaluation of Dilution by Tarnishment' 106 *Trademark Rep.* 639 2016.
[736] Per Jacobs AG, *Adidas* (n. 723) 38.
[737] The definition of tarnishment as the distortion of the power of attraction of trade marks was given as early as 1997 in *Sabel* (n. 724) at 39 and it was also repeated in the opinion of Jacobs AG in *Adidas-Salomon* (n. 643) at 38.
[738] *L'Oréal* (n. 595) 40. See also *Google France* (n. 663) 102 and *Interflora* (n. 667) 73.
[739] See also M. Handler, 'What Can Harm the Reputation of a Trademark: A Critical Re-Evaluation of Dilution by Tarnishment' 106 *Trademark Rep.* 690.

its aura of positive associations.[740] As a result, the public associate negative connotations with the trade mark and the function of attraction is distorted.[741]

This thesis argues that the same 'attraction function' recognised in tarnishment cases was attributed to trade marks for the creation of tobacco plain packaging legislation provisions; the only difference between the two concepts is the interests they aim to safeguard. Tarnishment provides protection of the power of attraction to serve the interests of trade mark proprietors. Despite this, tobacco plain packaging legislation is designed to diminish the power of attraction of trade marks with the wider aim of discouraging people from smoking. The way in which tobacco plain packaging legislation attempts this is by creating a permanent link between the word mark that appears on the packaging and the pictorial warnings,[742] which depict, inter alia, disease, infertility and death.[743] The association of these pictorial warnings with the word mark are deemed to tarnish such trade marks, as the images are graphic and repulsive.[744]

By curtailing the freedom of marketers to design tobacco packaging as they might wish, tobacco plain packaging legislation reduces the power of attraction.[745] Tobacco packaging that is not governed by tobacco plain packaging legislation is able to use any trade marks that empower attraction exponentially. A study focusing on the effects of tobacco packaging without the standardisation requirements or any warnings on teenagers underlined that tobacco packaging 'attracts the teenager into experimentation and encourages the teenager to persist with smoking for long enough

[740] S. Middlemiss et al., 'The Protection of Marks with a Reputation: Intel v CPM' *E.I.P.R.* 2009 31(6) 326-336, 333.
[741] A. Katz, 'Beyond Search Costs: The Linguistic and Trust Functions of Trademarks' 2010 *BYU L. Rev.* 1555 2010, 1598.
[742] For details on the pictorial warnings appearing on tobacco products see chapter two.
[743] For the complete list of the pictorial warnings see Figure 6.
[744] See Figure 2.
[745] See section 5.4.

for addiction to occur'.[746] Additionally, a study dealing with the perception of tobacco brands by young female consumers suggested that branding aimed at this group was perceived as not only less harmful to health but also more appealing and sophisticated.[747] As a result, without any regulations on the appearance of tobacco packaging, tobacco trade marks are able to perform their 'attraction function'. Therefore, tobacco plain packaging legislation aims to destroy the power of attraction in two ways. The first is by forcing the permanent association of the standardised word mark with pictorial warnings in the form of repulsive images. The second way is by removing trade marks as a form of marketing which can create further positive associations.

Finally, this section argues that the combination of tobacco plain packaging legislation with the provision against dilution by tarnishment creates two potential issues in the jurisdictions where both provisions coexist. The first one is in relation to new tobacco trade marks and the second one in relation to tobacco trade marks that acquired reputation before the implementation of tobacco plain packaging legislation.

Firstly, the restricting provisions of tobacco plain packaging legislation will make it very difficult for *new* tobacco trade marks to acquire a power of attraction. Similarly, a newly launched trade mark on a tobacco product will have great difficulties in developing a power similar to that which older trade marks developed in the years before tobacco plain packaging legislation. As a consequence, new tobacco trade marks will face difficulties in developing reputation. Gervais argues that although as long as the use of tobacco products remains legal, new tobacco trade marks should be entitled to develop

[746] M. Laugesen, 'Tobacco Promotion Through Product Packaging' Prepared for the New Zealand Toxic Substances Board September 1989, 10, http://legacy.library.ucsf.edu/tid/msq47a99/pdf, accessed 5 February 2018.
[747] D. Hammond et al., 'The Effect of Cigarette Branding and Tobacco Plain Packaging on Female Youth in the United Kingdom' *J Adolesc Health* 52 (2013), 156.

reputation and take advantage of anti-dilution protection, this may prove difficult.[748] Therefore, it is possible that the provisions of tobacco plain packaging legislation will prevent new tobacco trade marks from acquiring reputation and hence benefitting from any branch of the anti-dilution provision.

Secondly, the coexistence of tobacco plain packaging legislation with the provision against dilution by tarnishment may lead to a paradox. This paradox concerns tobacco trade marks that acquired reputation before the implementation of tobacco plain packaging legislation. While such reputable trade marks are entitled to protection against tarnishing uses, they are subject to the damage of their power of attraction that offers them their reputation in the first place. Therefore, although trade mark proprietors of these trade marks can protect their trade marks against any other tarnishing uses, the use of pictorial warnings under tobacco plain packaging legislation tarnishes the trade marks *on the packaging*.[749] Despite this, it seems highly unlikely that trade mark proprietors of such trade marks would argue that use of trade marks in relation to the effects of smoking tarnishes their trade mark. The only foreseeable scenario is that trade mark proprietors may use the provision against dilution by tarnishment in relation to a use of their trade marks that is irrelevant to the consequences of smoking and the tarnishment is significant enough to irreparably damage their business.

In conclusion, this section explores the recognition of the power of attraction trade marks can develop in relation to the provision against tarnishment and tobacco plain packaging legislation. The possibility of the paradox discussed in this section occurring is limited and therefore tobacco plain packaging legislation and the provision against dilution by tarnishment can coexist. However, the examination of the effect tobacco

[748] See D. Gervais, 'Analysis of the Compatibility of Certain Tobacco Product Packaging Rules with the TRIPS Agreement and the Paris Convention' prepared for Japan Tobacco International 2010, 106.
[749] C. S. F. Chow et al., 'The Effect Of Plain Packaging Format In Cigarette Labeling On Smoking Intent And Brand Likability Among Young Non-Smokers In Macau' *Pacific Journal of Marketing and Logistics* 27(1) 2015, 34.

plain packaging legislation may have on the pre-existing trade mark law landscape highlights the importance of both the functions of trade marks and the balancing interests different legal provisions aim to serve. This is further analysed in chapter seven. The next section makes a final comment on how the modern functions of trade marks are considered to be the source of controversy in contemporary trade mark law debates.

5.6 The Modern Functions of Trade Marks as a Source of Controversy

This chapter analysed the need for the legal recognition of the modern functions of trade marks and argued that, in addition to the provisions under the Trade Marks Directives, these modern functions form the theoretical basis of tobacco plain packaging legislation. This section argues that the recognition of the modern functions of trade marks creates controversy in the academic literature in relation to all three provisions examined in this chapter.

Firstly, the double identity infringement provision was criticised for the fact that it does not require reputation and the change of economic behaviour to be effective. The lack of such restraints leaves the CJEU free to develop the functions doctrine in any way it considers suitable. Senftleben suggests that by using the functions doctrine in relation to Article 5(1)(a) the Court creates a loophole to avoid EU anti-dilution protection measures.[750] He adds that the problem with this alternative avenue is that it 'does not provide for the checks and balances that can be found in the anti-dilution protection regime: no requirement of a mark with reputation [and] no specific infringement criteria.'[751] Finally, he criticises the functions doctrine as a 'source of legal uncertainty', as it concerns users in failing to define the extent to which functions are protected, and concerns owners in its lack of clarity on the circumstances in which courts may permit unauthorised use of marks deemed to not to have negatively affected those functions

[750] Senftleben (n. 678) 519.
[751] *Ibid*. See also Jehoram (n. 662) 1247.

which are protected.[752] The fact that the Commission's reform of Article 5(1)(a) in relation to the modern functions perpetuates this controversy since it leaves the development of the functions doctrine in the hands of the CJEU.

Secondly, the role of modern functions of trade marks as justifications for the anti-dilution provision was criticised by a number of Scholars. Beebe argues that what the anti-dilution provision addresses is 'a kind of nontrespassory nuisance' to a trade mark.[753] He argues that the anti-dilution provision gives the trade mark proprietor the opportunity to prevent such nuisances. The fact that the anti-dilution provision is seen as a mere 'nuisance' raised the question of whether it is as justified as the confusion-based 'full-blown infringement' provisions discussed in the previous chapter. Furthermore, according to Fhima, anti-dilution is a 'controversial' concept because confusion is not a requirement.[754] The absence of the element of confusion takes the anti-dilution provision away from core trade mark law principles that derive from the essential function of trade marks.[755]

The fact that the anti-dilution provision preserves the distinctiveness of the trade mark without the requirement of confusion illustrates the fact that it is designed to protect the interests of the trade mark proprietor. In Schechter's words, 'the preservation of the uniqueness […] of the trademark is of paramount importance to its owner.'[756] However, the fact that the anti-dilution provision aims to enhance the trade mark proprietor's rights is not widely accepted. Fhima questions whether the interests the anti-dilution provision aims to preserve are justified: 'is the mark-owner's investment in building up its image for its trade mark through advertising enough to justify granting it legal

[752] *Ibid*, 521. See also Morcom (n. 662) 631.
[753] B. Beebe, 'The Semiotic Analysis of Trademark Law' 51 *UCLA LAW REVIEW* 621 (2004), 676.
[754] I. S. Fhima, 'Exploring The Roots Of European Dilution' *I.P.Q.* 2012, 1, 25.
[755] See also S. A. Rose, 'Will Atlas Shrug? Dilution Protection for 'Famous' Trademarks: Anti-Competitive 'Monopoly' or Earned 'Property' Right?' 47 *Fla. L. Rev.* 653 1995.
[756] Schechter (n. 601) 822.

protection?'[757] Since Schechter's justification of the anti-dilution provision is that trade mark proprietors have invested money and labour to create and maintain a distinctive trade mark, the anti-dilution provision is directly relevant to the concepts of property, marketing and goodwill that are explored in the following chapters.

However, an equally important element that should be considered in relation to the justification of the anti-dilution provision is that of consumer input. Wilf argues that consumers invest in trade marks to the same extent proprietors do:

> 'Not only do marketers invest in trademarks, but consumers make a considerable investment as well. [...] If trademarks ensure product differentiation, sustain quality, create a usable shorthand to lower consumer search costs, or help stimulate the economy, it is the consumer who pays dearly for these benefits through his or her pocketbook.'[758]

Despite this, although it should also encompass consumer interests, the anti-dilution provision is designed to maximise the potential interests of trade mark proprietor. The only way the controversial aspect of the anti-dilution provision is constrained is the fact that it is only offered in relation to trade marks with reputation.

Finally, in parallel with these two provisions, the attack on the modern functions attempted by tobacco plain packaging legislation created a controversy in relation to two aspects.[759] Firstly, as discussed in chapter two, the prohibition of figurative trade marks on tobacco packaging generated discussions on the type and quality of rights a trade mark confers to trade mark proprietors. The claims under the WTO raised questions about whether the Agreement on Trade Related Aspects of Intellectual

[757] Fhima (n. 727) 4.28.
[758] S. Wilf, 'Who Authors Trademarks?' 17 *Cardozo Arts & Ent. L.J.* 1 1999, 17.
[759] G. Berger-Walliser, 'The Impact of Plain Packaging Regulation on Illicit and Non-Illicit Tobacco Products in the European Union' 38 *N.C.J. Int'l L. & Com. Reg.* 1015 2013, 1057.

Property Rights (the TRIPS Agreement) provides for a positive right of trade mark use which is subsequently breached under the Australian Tobacco Plain Packaging Legislation Act 2011.[760] For example, Davison argued that trade mark proprietors have a mere 'privilege' to use their trade marks and therefore the functions of all trade marks fall in the hands of governmental policy.[761] Although, the WTO Panels concluded that the TRIPS Agreement does not establish a positive right to use the trade mark,[762] in the case under which the claimants appeal the controversy may continue.[763] Secondly, the restrictive nature of tobacco plain packaging legislation creates a controversy in relation to trade marks as objects of property.[764] Although it has been found that tobacco plain packaging legislation does not amount to an expropriation of trade marks,[765] it is likely to affect the value of trade marks are render their property status meaningless.[766]

In conclusion, this chapter argues that the recognition of the modern function of trade marks for both the two infringement provisions and tobacco plain packaging legislation is insufficient to fully justify these provisions. As a result, this thesis explains in chapter seven how the balancing interests considered in addition to the functions attributed on trade marks must be taken into account for the justification of these provisions. For example, in contrast with the two infringement provisions examined above, tobacco plain packaging legislation undermines the interests of the trade mark proprietors since

[760] For the dispute settlement see 'Australia - Certain Measures Concerning Trademarks, Geographical Indications and Other Tobacco Plain Packaging Requirements Applicable to Tobacco Products and Packaging' https://www.wto.org/english/tratop_e/dispu_e/cases_e/ds467_e.htm, accessed 14 June 2018.

[761] M. Davison et al., 'Rights, Privileges, Legitimate Interest, and Justifiability: Article 20 of TRIPS and Plain Packaging of Tobacco' 29 *Am. U. Int'l L. Rev.* 505 2013-2014, 579.

[762] World Trade Organization, 'Australia – Certain Measures Concerning Trademarks, Geographical Indications And Other Plain Packaging Requirements Applicable To Tobacco Products And Packaging - Reports Of The Panels', WT/DS435/R, WT/DS441/R WT/DS458/R, WT/DS467/R 28 June 2018 (18-4061), 7.1977 - 7.1979.

[763] According to Reuters, Honduras has filed an appeal against the WTO ruling discussed in this section. See Reuters, https://www.reuters.com/article/us-wto-tobacco-honduras/honduras-appeals-wto-landmark-ruling-on-australias-plain-tobacco-packaging-idUSKBN1KA1T5, accessed 28 July 2018.

[764] See Bonadio (n. 732).

[765] See *R. (on the application of British American Tobacco (UK) Ltd) and Others v Secretary of State for Health*, [2016] E.T.M.R. 38 and *JT International SA v Commonwealth of Australia* [2012] HCA 43.

[766] See section 3.4.3.

it aims to harm their interests by blurring the individuality of tobacco trade marks in the way explained above. Therefore, instead of enhancing the trade mark proprietor's interests like the anti-dilution provision, tobacco plain packaging legislation aims to enable consumers to make informed purchasing choices and reduce the sales of tobacco products. The preservation of public health is the balancing factor that outweighs these interests. Therefore, as chapter seven illustrates, although all these three provisions are developed on the basis of the modern functions of trade marks, the consideration of the different interests they aim to serve can lead to different provisions and justify the controversies discussed in this section.

5.7 Conclusion

From Schechter's theory that the trade mark 'actually sells the goods'[767] to the tobacco plain packaging legislation's reasoning that the packaging plays a crucial part in encouraging the consumption of tobacco products,[768] this chapter illustrated how the modern functions of trade marks play an important role in modern trade mark law provisions. In particular, this chapter argued that in addition to their recognition for expansion of the double identity provision and the anti-dilution provision, the modern functions of trade marks are used as the theoretical basis of tobacco plain packaging legislation.

Trade marks evolved to have the power to indicate more than trade origin. As explained in this chapter, the law recognises through the modern functions doctrine that trade marks are able to create a mental and psychological connection with the consumers and are used by their proprietors as means of advertising in order to attract consumers. The standardisation of tobacco packaging under tobacco plain packaging legislation aims to lower the impact of the modern functions of trade marks, break the communication

[767] Schechter (n. 601) 818.
[768] M. Wakefield et al., 'The Cigarette Pack as Image: New Evidence from Tobacco Industry Documents' *Tobacco Control* 2002 i73-i80, i77.

channels between tobacco trade marks and consumers and unlimitedly reduce the selling power of such trade marks.

This chapter further examined the interactions between the restrictive provisions of tobacco plain packaging legislation and the anti-dilution provisions of the European trade mark law system and drew two conclusions. Firstly, while the source distinctiveness of tobacco trade marks that can appear on tobacco packaging may remain unharmed by the provisions of tobacco plain packaging, the same provisions harm the individualisation of such trade marks with the intent of harming their advertising function. Secondly, the coexistence of tobacco plain packaging legislation with the provision against dilution by tarnishment creates a paradox under which the attraction function of trade marks is simultaneously protected and undermined by the law.

Finally, this chapter underlined that while both the infringement provisions and tobacco plain packaging provisions recognise the modern functions of trade marks this, recognition is used to serve different interests. On the one hand, before tobacco plain packaging legislation, this recognition under the double identity and anti-dilution provisions was aiming to empower the selling power of trade marks. As a result, the trade mark proprietor's interests were protected and expanded.

On the other hand, tobacco plain packaging legislation takes into account the modern functions of trade marks with the aim of weakening their effect. By standardising tobacco packaging, it aims to suppress the magnitude of the effect of the modern functions of tobacco trade marks. In particular, for the purposes of the provisions of tobacco plain packaging legislation, any other information tobacco trade marks communicate besides trade origin is considered to be misleading.[769] Therefore, the

[769] Australian Tobacco Plain Packaging Act 2011, S. 3(2).

restrictive provisions of this legislation undermine the interests of tobacco trade mark proprietors for the preservation of public health.

Accordingly, the next chapter, by taking into account the weakening effect of tobacco plain packaging legislation on the modern functions of tobacco trade marks, it focuses on the potential practical consequences of this legislation. In particular, the next chapter examines the impact tobacco plain packaging legislation has on trade marks as marketing tools and as devices reducing search costs.

Chapter Six

The Effects of Tobacco Plain Packaging Legislation on Tobacco Branding and Consumers

6.1 Introduction

Tobacco plain packaging legislation differs from other tobacco control policies. While all tobacco control policies regulate tobacco products and the way they are marketed and advertised in order to reduce their appeal, tobacco plain packaging legislation attacks their trade marks. Tobacco trade marks symbolise and generate the goodwill of tobacco companies; they indicate trade origin and quality, acting as means of advertising, investment and communication. The crucial role that trade marks play in our everyday life and the economy, combined with the way tobacco plain packaging legislation restricts their use, mean that tobacco plain packaging legislation constitutes the most hostile tobacco control policy yet.

According to the tobacco industry, tobacco trade marks are integral parts of tobacco products, as they are a crucial means of communicating with consumers.[770] Tobacco plain packaging legislation aims to interrupt this communication.[771] This thesis has thus far explained that while the appearance of the 'brand and variant'[772] allows the signalling of trade origin and preserves the essential function of trade marks that are allowed to appear on the tobacco packaging unaffected, the restrictive provisions of tobacco plain packaging legislation affects trade marks in two ways.

[770] Philip Morris Limited, 'Response to the Department of Health Consultation on the Future of Tobacco Control' September 2008.
[771] Expert Panel Report Prepared at the request of Health Canada, 'When Packages Can't Speak: Possible Impacts of Plain and Generic Packaging of Tobacco Products' March 1995, 143.
[772] The 'brand and variant' refers to the two lines of information allowed by tobacco plain packaging legislation to be appeared on tobacco packaging. Hereinafter 'brand and variant'. See Figure 1.

Firstly, this legislation affects the generation and maintenance of goodwill, which trade marks both generate and symbolise.[773] Taking into account the advertising ban on tobacco products, it was of utmost importance to the tobacco industry to create branding that expertly utilised colour, graphics, motifs and symbols to maintain and further their image and the goodwill contained within it.[774] As explained in chapter three, tobacco plain packaging legislation prevents the tobacco industry form investing labour in building their goodwill and this as a result affects the value of tobacco trade marks as objects of property.

Secondly, tobacco plain packaging legislation weakens the modern functions of tobacco trade marks. The previous chapter concluded that these modern functions enhance the attraction trade marks possess, and argued that they are used as the theoretical basis of tobacco plain packaging legislation. By reducing the individuality of the packaging of tobacco products, tobacco plain packaging legislation aims to reduce the selling power of tobacco trade marks. This chapter focuses on the practical consequences that tobacco plain packaging legislation has, both on consumers and on the modern functions of tobacco trade marks. In particular, this chapter examines the impact of tobacco plain packaging legislation on trade marks as marketing tools and as devices reducing search costs.

This chapter is divided into four sections. Following the introductory section, section two examines the impact of the provisions of tobacco plain packaging legislation on trade marks as marketing tools. While the law is concerned with the protection of trade mark rights, marketing uses trade marks as brands. The brand is used as the central elements of all commercial communications due to its ability to inform consumers, store

[773] D. M. McClure, 'Trademarks and Unfair Competition: A Critical History of Legal Thought' 69 Trademark Rep. 305 1979, 311.
[774] British American Tobacco, 'Guidelines on Communication Restrictions and New Opportunities in Marketing' Jesteburg, May 1979 https://www.industrydocumentslibrary.ucsf.edu/tobacco/docs/#id=hsjl0132, accessed 30 January 2018.

information, and advertise.[775] While brands may retain their ability to inform and store information even after tobacco plain packaging legislation's implementation, they are unlikely to constitute a means of advertising. In particular, this section explains that tobacco plain packaging legislation reduces the appeal of tobacco packaging, eliminates the 'brand identity' of tobacco products and limits the potential for brands to become products themselves. Furthermore, it suggests that tobacco plain packaging legislation prevents inventive uses of tobacco brands on tobacco packaging.

Following this, section three examines the impact of the provisions of tobacco plain packaging legislation on trade marks as devices reducing search costs. As explained in this section, the information provided by trade marks enables consumers to identify the trade origin and quality of goods and consequently reduces their search costs.[776] Without trade marks, sellers have no incentive to maintain the quality of their products, leading to the failure of the market.[777] Trade marks are seen as devices that are used as shortcuts to associate all information about a particular product with its trade mark.[778] This section examines the possible consequences of the restrictive provisions of tobacco plain packaging legislation on tobacco trade marks' potential to act as a means of accountability, and hence as devices to reduce search costs.

6.2 Tobacco Plain Packaging Legislation and its Impact on Trade Marks as Marketing Tools

For many years, the tobacco industry has claimed that the use of their trade marks on the tobacco packaging is an important marketing practise for the promotion of their

[775] See T. A. Shimp, *Advertising, Promotion, & Other Aspects of Integrated Marketing Communications* (South-Western Cengage Learning, 2010) 38.
[776] W. M. Landes et al., 'Trademark Law: An Economic Perspective' 30 *J.L. & Econ.* 265 1987, 275.
[777] C. D. Nichols et al., 'Trouble in Trademark Law: How Applying Different Theories Leaves Door Open for Abuse' 17 *SMU Sci. & Tech. L. Rev.* 1 2014, 6.
[778] M. R. Solomon, *Consumer Behavior: Buying, Having, and Being* (Pearson, 2018) 152. See also M. Strasser, 'The Rational Basis of Trademark Protection Revisited: Putting the Dilution Doctrine into Context' 10 *Fordham Intell. Prop. Media & Ent. L.J.* 375 2000, 383.

products.[779] As the latest development in tobacco control, tobacco plain packaging legislation strictly regulates the way trade marks appear on tobacco packaging. Crucially, it standardises the way the 'brand and variant' can appear on tobacco packaging and prohibits the use of any other trade marks or embellishments. This section explains the importance of trade marks for marketing practises and examines the impact tobacco plain packaging legislation has on trade marks as marketing tools.

6.2.1 A Brief Overview of the Rise of Brand and Adverting

The concept behind tobacco plain packaging legislation must be understood in context. The idea of stripping tobacco packaging of all the attractive elements of a trade mark without affecting its function as indicator of trade origin was born in the 1980s.[780] This section explains the industrial era development of modern trade marks and their use on the packaging of products, and how these developments in essence led to the creation of the concept of tobacco plain packaging legislation.

Originating in the UK, the industrial revolution replaced work previously done by hand with factory mass production, leading to the depopulation of rural areas and rapid expansion of urban ones. This contributed to the transformation of the marketplace, methods of product distribution and the use of trade marks.[781] Between 1860 and 1920, the population concentrated in urban areas acquired unprecedented purchasing power. Higher per capita income created growth in consumer demand, and developments like

[779] Mark Hulit, 'Marketing Issues Corporate Affairs Conference' Philip Morris, Manila, 27 May 1994, https://www.industrydocumentslibrary.ucsf.edu/tobacco/docs/#id=qsbd0116, accessed 2 February 2018.
[780] The Journal, October 1, 1986, 15: (10) 5, https://www.industrydocumentslibrary.ucsf.edu/tobacco/docs/#id=hmxn0198, accessed 2 February 2018, 2, see also 'Packaging Phoney Intellectual Property Claims' *Physicians for Smoke-Free Canada* June 2009, 8.
[781] S. Diamond, 'The Historical Developments of Trademarks' 65 *Trademark Rep.* 265 1975, 280-282.

new technological manufacturing progress and expanded united national transport and the communication networks resulted in a sudden boom of marketplace competition.[782]

As a consequence of this, the nature and the use of trade marks changed dramatically. Drescher argues that the notion of the 'brand' was invented in this period. In earlier times when consumers bought unbranded grain and staples by weight from local grocers, no trade marks were needed.[783] However, ease of transportation and new methods of purchasing products led to the wide use of trade marks that aimed to distinguish between the products that come from the same source.[784]

As is further discussed in the next section, branding plays a crucial role in the distribution and promotion of products in the present day. Although there is no legal definition of the term 'brand', the relationship between trade marks and brands can be explained.[785] Marketing practitioners use the term 'brand' to describe all trade mark uses that aim to promote the product, and not merely to indicate its trade origin.[786] 'Brand' is a marketing practitioner's term for what a lawyer knows as a 'trade mark'.[787] Since the two terms represent different uses of the same sign, they co-exist.[788] For example, while the law requires a sign to be distinctive in order to offer legal protection, marketers aim for a *creative* distinctiveness which will appeal to a consumer.[789]

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[782] R. G. Bone, 'Hunting Goodwill: A History of the Concept of Goodwill in Trademark Law' 86 *B.U. L. Rev.* 547 2006, 576.
[783] T. D. Drescher, 'The Transformation and Evolution of Trademarks – From Signals to Symbols to Myth' 82 *Trademark Rep.* 301 1992, 321.
[784] *Ibid*, 324.
[785] A. Griffiths, 'Trade Marks Plus? The Role of Trade Marks in the Global Economy and the Danger of Over-Protection' *Liverp Law Rev* (2007) 28:107–141, Footnote 19. See also *O2 Holdings Ltd v Hutchison 3G Ltd*, [2006] EWHC 534, 7 'English law does not, however, protect brands as such. It will protect goodwill (via the law of passing off); trade marks (via the law of trade mark infringement)'.
[786] See H. Leeds, 'Brand Names are Trademarks' 49 *Trademark Rep.* 1956*,* 596.
[787] J. Blythe, *Principles and Practice of Marketing* (Sage Publications, 2014, Third Edition) 89.
[788] D. Shilling, *Essentials of Trademarks and Unfair Competition* (Wiley, 2002) 2.
[789] J. Murphy, 'What is Branding?' in *Branding: A key marketing tool* (Macmillan Press, 1987, edited by J. Murphy) 12.

In combination with the use of brands, after the industrial revolution, individual product packaging became possible.[790] As a consequence, all products previously sold by weight could now have their own packaging, on which their own brand could be prominently displayed. The use of the brand enabled the differentiation of otherwise identical products.[791]

The rise of the 'brand' and individual packaging following the industrial revolution came hand in hand with the rise of psychological advertising. Although early uses of trade marks were accompanied with some early forms of advertisements, the notion of 'psychological advertising' refers to a more advanced and elaborate form of advertising based on the psychological stimulation or manipulation of the consumer.[792] Psychological advertising builds a backdrop of positive associations surrounding the trade mark, and the trade mark uses its inherent signification power to pass this information on to the consumer.[793] This new type of advertising empowered the advertising function of trade marks.[794] Consequently, the industrial revolution and the trade mark evolution it led to fundamentally cultivate the both the consumption of products and the consumption of trade marks.[795] The financial conditions of the time allowed the public to consume as never before.[796] Despite the apparent consumer freedom this created, the development of physiological advertising manipulated the consuming public to feel that along with the actual consumption of products, they should consume trade marks.[797]

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[790] Bone (n. 390) 577.
[791] O. Ampuero et al., Consumer Perceptions of Product Packaging, *Journal Of Consumer Marketing* 23 2006, 101.
[792] See B. G. Paster, 'Trademarks – Their Early History' 59 *Trademark Rep.* 551 1969, 554.
[793] Drescher (n. 783) 325.
[794] L. G. Telser, 'Advertising and Competition' *Journal of Political Economy* 72 1964, 553.
[795] S. Wilf, 'Who Authors Trademarks?' 17 *Cardozo Arts & Ent. L.J.* 1 1999, 22.
[796] See also S. *Schwarzkopf*, 'Turning Trademarks into Brands, How Advertising Agencies Practiced and Conceptualized Branding, 1890–1930' in T. D. Silva Lopes et al., *Trademarks, Brands, and Competitiveness* (Routledge, 2010), 176.
[797] See S. Nadan, 'An Exploration of the Brand Identity–Brand Image Linkage: a communications perspective' *Journal of Brand Management* 12(4) 2005, 264-278.

The concepts discussed in this section played a fundamental role in the creation of tobacco plain packaging legislation. The invention of the brand led to the development of psychological advertising, which itself enhanced the advertising function of trade marks. The advertising function of trade marks demonstrated that trade marks have the power to drive consumer behaviour. Finally, the trade mark's power to drive consumer behaviour is the basis upon which tobacco plain packaging legislation controls the appearance of trade marks on tobacco packaging. In other words, tobacco plain packaging legislation aims to suppress the powers of tobacco trade marks gained after the industrial revolution. The next section explains the role of branding in the current marketplace.

6.2.2 Defining Brands and Branding in Commercial Communication

As explained in the previous section, the use of brands enabled companies to advertise and made individual packaging possible. Tobacco plain packaging legislation regulates the way tobacco trade marks appear on tobacco packaging with the aim of suppressing its promotional aspects. This section explains the importance of brands and branding in the contemporary marketplace, in order to underline that the desirable impact of tobacco plain packaging legislation is to affect the central (if not the remaining) element of marketing communications of the tobacco industry.

For a trade mark to exist, it should be used in trade; this is required to fulfil the essential function of communicating trade origin. Trade marks are therefore used on products or services to indicate the trade origin of the product. However, this legal requirement of 'use in trade' is also used to promote the product or service. In other words, while trade mark proprietors use their trade marks as indicators of trade origin, they also use them

to promote their products. The use of trade marks for promotion can occur either on the packaging of the product or in other communications.[798]

In any audio and visual communications from the trade mark proprietors to the consumer, the trade mark is the central element.[799] These commercial communications can take place in various places. Some examples are: product packaging; where the services sold are being held (e.g. in premises, as recordings in the hold messages of a telephone call, on the webpages of online stores); and via advertising in or on newspapers, radio, television, webpages, billboards and vehicles.[800] All these types of commercial communications fall under the umbrella of marketing communications. By deploying all these means of communication, company marketing teams aim to manage every aspect of the image and presentation of the product in order to increase sales.[801]

While the legal requirement to use the trade mark in the course of trade can be fulfilled by attaching the trade mark to the products in the market, the promotion of products is a more complex task.[802] In order to promote their products, trade mark proprietors must invest vast amounts of money in employing professional marketing experts to create marketing tactics.[803] In contrast with the simplicity of the legal requirement of use in the course of trade, a marketer's interest in the trade mark goes beyond its attachment to the packaging of the product; they aim to use the trade mark as a vehicle of inventiveness in marketing.[804]

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[798] B. Rundh, 'Packaging Design: Creating a Competitive Advantage with Product Packaging' *British Food Journal* 2009, 988.
[799] L. De Chernatony et al., *Creating Powerful Brands* (Butterworth Heinemann, 1992) 144, 'If a brand is to be used as a communication device, it must [...] be highly visible when being bought or being used'.
[800] K. E. Clowe et al., Integrated Advertising, Promotion, and Marketing Communications (Pearson, 2018) 45.
[801] Murphy (n. 789) 3.
[802] J. Kapferer, *The New Strategic Brand Management: Creating And Sustaining Brand Equity Long Term* (Kogan, 2008), 11 'Contrary to what the legal definition asserts, a brand is not born but made. It takes time to create a brand, even though we talk about launching brands. […] in essence, a brand is a name that influences buyers, becoming a purchase criterion.'
[803] G. Martin et al., *Corporate Reputations, Branding and People Management: A Strategic Approach to HR* (Elsevier Publishing, 2006) 54.
[804] K. L. Port, 'The Illegitimacy of Trademark Incontestability' 26 *Ind. L. Rev.* 519 1992-1993, 560.

While the law focuses on whether the trade mark can differentiate itself from the signs of other undertakings, marketing is concerned with presenting and representing the brand in the most efficient way, as the central element of all commercial communications.[805] Furthermore, just as the legal definition of trade marks takes into account all trade mark functions, according to the British Chartered Institute of Marketing, for marketing, a brand is not a mere sign:

> 'A brand is the set of physical attributes of a product or service together with the beliefs and expectations surrounding it – a unique combination which the name or the logo of the product or service should evoke in the mind of the audience'.[806]

The brand is, therefore, the sign accompanied with the feelings and thoughts that are evoked every time the consumer interacts with it.[807] In marketing terms, the prominence of the brand in all commercial communications is called branding.[808] It is argued that branding should not be seen as a separate and distinct marketing tool. It should be considered as the overarching element which completes the marketing strategy and the crucial tactic in obtaining and retaining repeat customers to maximise return on investment.[809] In other words, branding is a marketing practice that underlines all other marketing practices and commercial communications.[810] After setting a clear strategy, marketers base their marketing programme on their branding

[805] J. Davis et al., 'Trademarks, Brands and Competition' in T. Lopse et al., *Trademarks Brands and Competitiveness* (Routledge, 2010) 120.
[806] H. Edwards et al., *Creating Passion Brands: Getting to the Heart of Branding* (Kogan Page, 2005) 39.
[807] A. George, 'Brands Rules: When Branding Lore Meets Trademark Law' *Journal of Brand Management* 13(3) 2006, 218.
[808] L. De Chernatony, 'Brand Management Through Narrowing the Gap Between Brand Identity and Brand Reputation' *Journal of Marketing Management* 15 1999, 157.
[809] De Chernatony (n. 799) 15.
[810] R. Sinclair, 'Trademarks and Brands' in J. Catty et al., *Fair Value Guide under IFRS* (Wiley, 2010) 501.

aims.[811] Branding is not just another tool used by marketing practitioners; it comes first, as a product of strategic thinking, and facilitates all following actions.[812]

The brand is the central element of all marketing communications due to its tripartite purpose: to inform; to store feelings and thoughts; and to advertise.[813] The first aims to inform the consumer that the surrounding information relates to a particular product of a particular undertaking. By using the brand in all types of communication, the marketer informs the consumer that all the audio-visual information surrounding the brand derives from the brand's undertaking and relates to its products.[814] It could be argued that this first reason for using the brand can be compared with the essential function of trade marks. However, in addition to indicating the trade origin of the product or service, as such, marketing uses the brand to indicate the trade origin of the commercial communication.[815]

Secondly, the brand plays a central role in all marketing communications because it is capable of collecting and storing all the consumer's feelings and thoughts about it.[816] All forms of marketing aim to create positive feelings and thoughts, and marketers hope that these will be stored in the brand, in the consumer's mind.[817] Although it is impossible to control whether consumers' feelings and thoughts are positive, negative

[811] See N. H. Borden, 'The Concept of the Marketing Mix' *Journal of Advertising Research* 4(2) 1964, 361-369.
[812] L. G. Schiffman, *Consumer Behavior* (Pearson, 2015) 198.
[813] See by analogy De Chernatony (n. 799) and R. S. Brown Jr, 'Advertising and the Public Interest Legal Protection of Trade Symbols' *Y.L.J* 57 7 Jun. 1948 1165-1206, 1183: 'Advertising has two main functions, to inform and to persuade'.
[814] M. Davis, *The Fundamentals of Branding* (AVA Publishing, 2009) 26.
[815] J. Backman, 'The Role of Trademarks in Our Competitive Economy' 58 *TMR* 1968, 219.
[816] See for example S. M. Maniatis et al., 'A Consumer Trade Mark: Protection Based on Origin and Quality' *E.I.P.R.* 1993 15(11) 406-415, 409: 'What trade marks offer to advertising, in addition to the ability to identify a product, is the automatic initialisation of the advertising process' and Blythe (n. 787) 426: '[T]he brand name provides an informational chunk: the individual is able to summon up a huge amount of information from memory using the brand name as a trigger.'
[817] M. R. Solomon, *Consumer Behavior: Buying, Having, and Being* (Pearson, 2018) 152.

or neutral, the marketers' task is to aim for the creation of positive ones.[818] It is argued that this second reason the brand plays a prominent role in marketing communications can be compared with the modern functions of trade marks. The law recognises that trade marks are capable of storing more information than that of their trade origin. This is the aim of marketing teams; to create and manage a distinctive enough brand to be able to store positive information.[819]

Finally, commercial communications use the brand as the central element in advertising their products. Advertising is a marketing practice under which commercial communications take place with the aim of promoting a product or service (promotional communications).[820] Advertisements focus on creating positive feelings and thoughts to persuade the consumer to buy the advertised product or service. Since brands can be evolved to advertise the products themselves,[821] become 'species of advertising'.[822] Brands themselves, in comparison with other forms of promotions, differ since 'their special characteristics are brevity and continuity in use'.[823] This 'advertising function' of trade marks is recognised by trade mark law.[824]

As the prominent element in all marketing communications, the brand can inform, store information and advertise.[825] With these three components in place, the brand becomes fully operational. When consumers encounter the brand for the first time they are informed about the trade origin of the product and mentally record within the brand association any thoughts or feelings created by the surrounding information. The operation of the brand is fully exercised when consumers, already informed about the

[818] B. M. Ghodeswar, 'Building Brand Identity In Competitive Markets: A Conceptual Model' *Journal Of Product & Brand Management 17(1)* 2008, 5.
[819] See also J. Levav et al., 'Seeking Freedom through Variety' *Journal Of Consumer Research 2008 3*6, 604.
[820] K. Lane Keller, 'The Impact Of Corporate Marketing On A Company's Brand Extensions' in J. M. T. Balmer et al., *Revealing the Corporation* (Routledge, 2003), 273.
[821] Maniatis (n. 816) 408.
[822] T. R. Martino et al., 'The Quality Guarantee Function Of Trade Marks: An Economic Viewpoint' *E.I.P.R.* 1989, 11(8), 267.
[823] Brown (n. 398) 1185.
[824] See *L'Oréal SA v Bellure NV*, C-487/07 [2010] R.P.C. 1, 49, 10.
[825] L. De Chernatony, 'A Model for Strategically Building Brands' *Henry Stewart Publications* 9(1) 2001, 35.

trade origin of the product, subsequently re-encounter it. In successful branding, an automated process then takes place in the consumer's mind; they access and unload the stored information, alter existing information or add new information into their conception of the brand, save, and exit.[826]

In order for consumers to remember the brand and the information it represents, they must be exposed to the brand repeatedly.[827] If they are not, they may forget the information associated with the brand or even the brand itself. Marketers therefore try to invent creative ways of communicating and advertising their brands. If the marketers succeed in carving the brand into the consumers' minds, and if a large percentage of the consuming public stores mainly positive feelings and thoughts in that brand, the brand becomes popular and can advertise the product itself in a more efficient way.[828]

For marketers, the brand is therefore both the tool and the desirable result. As the tool of a continuous marketing process that gives consistency to all commercial communications, the brand has the capacity to inform customers, store all brand-related information and advertise products. As the desirable result, the brand also has the potential to become a product itself.[829] In order to achieve this, marketers use the brand to create myths.[830] A brand can become a sign that bears mythical values that are not based on the actual characteristics or features of the product.[831] On the contrary, brands become products themselves when they can be associated with many meanings and they are able to symbolise a variety of 'themes, values, and associations'.[832] Such

[826] H. Ahn et al., 'Memory Markers: How Consumers Recall The Duration Of Experiences' *Journal of Consumer Psychology* 19 2009, 514.
[827] N. Ambady, 'The 30-Sec Sale: Using Thin-Slice Judgments to Evaluate Sales Effectiveness' *Journal Of Consumer Psychology*, 16(1) 2006, 413.
[828] D. Aaker, *Building Strong Brands* (Simon & Schuster, 2010), 12.
[829] K. L. Port, 'The Commodification of Trademarks: Some Final Thoughts on Trademark Dilution' 46 *Hofstra L. Rev.* 669 2017
[830] Solomon (n. 817) 522.
[831] Blythe (n. 787) 428. See L. V. D. Berg-Weitzel et al., 'Relation Between Culture And Communication In Packaging Design' *Brand Management* 8(3) 2001, 13.
[832] Drescher (n. 783) 328.

myth-brands create aspirational lifestyles and offer an experience.[833] In fact, Dreshcer argues that such brands have the power to 'define the experience itself'.[834]

Consequently, when brands act as products, the sales of the physical products depend on the attractiveness of brands.[835] Heavy merchandising of brands renders their primary purpose consumptive and makes the purpose of identifying the product's source secondary.[836] In support of this view, it is suggested that this consumptive element of brands affects the way products are put out into the market.[837] Initially, brands are created to be attached to products in order to perform their essential function. However, when brands are empowered with this consumptive element, *products* are created to carry the brands.

In marketing terms, the use of the same brand on different products is called 'brand extension'.[838] This practice is used by marketers to monetise the 'brand image' that was created. The brand image is defined as 'a complex constellation of associations and images that comprises a consumer's knowledge of the brand and his attitudes towards it.'[839] The brand image is what creates the myth behind the brand and provides its consumptive element.[840] Brands, as products, are considered to be valuable[841] as they can generate huge profits.[842] When a brand's value has far outpaced that of the goods it is attached to, products like toys, perfumes and cereals are produced as spin-offs simply

[833] D. Desai et al., 'Brands Competition and the Law' 2010 *BYU L. Rev. 1*425 2010, 1427.
[834] Drescher (n. 783) 339-340.
[835] A. Arvidsson, 'Brand Value' *Journal of Brand Management* 13(3) 2006, 189.
[836] M. Alexandri, 'The International News Quasi-Property Paradigm and Trademark Incontestability: A Call for Rewriting the Lanham Act' 13 *Harv. J. L. & Tech.* 303 1999-2000, 363.
[837] S. Nadan, 'An Exploration of the Brand Identity–Brand Image Linkage: a communications perspective' *Journal of Brand Management* 12(4) 2005, 264-278.
[838] M. Senftleben, 'The Trademark Tower of Babel - Dilution Concepts in International, US and EC Trademark Law' *IIC* 2009 40(1) 45-77, 68.
[839] J. F. Coverdale, 'Trademarks and Generic Words: An Effect on Competition Test' 51 *U. Chi. L. Rev.* 868 1984, 875.
[840] K. Assaf, 'Magical Thinking in Trademark law' 37(3) *L&Soc.Inq.*596 2012, 610.
[841] See also, I. D. Manta, 'Hedonic Trademarks' 74 *Ohio St. L.J.* 241 2013, 273, about the role the value of trade marks play in virtual worlds.
[842] S. W. Halpern, 'Traffficking in Trademarks: Setting Boundaries for the Uneasy Relationship between 'Property Rights' and Trademark and Publicity Rights' 58 *DePaul L. Rev.* 1013 2008, 1025.

to carry that brand and encourage consumption.[843] In such cases, it is evident that brands become the true products themselves.[844]

The power brands have to develop personalities which affect consumers beyond the market-related information they signal[845] enables companies to compete in terms of the emotion or commitment they summon in a consumer, rather than on price or quality.[846] Brand personalities are communicated to the consumer by all the surrounding images provided in all commercial communications. These surroundings enable consumer conception of brand character, priorities and ethics.[847] De Chernatony explains that social groups use brand personalities as signalling devices:

> 'Through being a member of social groups, people learn the symbolic meaning of brands. As they interpret the actions of their peer group, they then respond, using brands as non-verbal communication devices (e.g. feelings, status). To capitalize on symbolic brands, therefore, marketers must use promotional activity to communicate the brand's personality and signal how consumers can use it in their daily relationships with others.'[848]

Therefore, the process of creating and using brand personalities is a vicious cycle. Society set out rules for how brands as communication devices should work and marketers must adopt these rules. However, marketers aiming to promote their own brands influence the way brands should be used in the society through marketing and advertisements. As a result, the personalities of brands are affected in a constant

[843] J. Litman, 'Breakfast with Batman: The Public Interest in the Advertising Age' 108 *Yale L.J.* 1717 1998-1999, 1728.
[844] K. L. Keller et al., 'The Importance of Corporate Brand Personality Traits to a Successful 21st Century Business' in J. M. T. Balmer et al *Advances in Corporate Branding* (Palgrave Macmillan, 2017) 47.
[845] Blythe (n. 787) 427: 'Marketers often speak of the brand's personality, and there is research evidence to show that consumers often think of brands as having personalities'.
[846] M. P. McKenna, 'A consumer Decision-Making theory of Trademark Law' 98 *Va. L. Rev.* 67 2012, 115.
[847] See K. J. Lancaster, 'A New Approach to Consumer Theory' *Journal of Political Economy* 74 1966, 133.
[848] De Chernatony (n. 799) 38.

process of information exchange between consumers and marketers.[849] Marketers are constantly adapting their commercial communications based on consumer behaviour, and consumers are constantly influenced by these commercial communications.[850] By learning the rules of their particular social groups, consumers understand the signalling powers of brands. By using brands as communication devices, consumers signal their selected sense of self.[851]

Brands take on the roles that consumers want them to have, and as such, they can play the role of an expressive language.[852] Such language can extend to the consumption of the products brands are attached to, and render it an expressive consumption.[853] With their own need for a myth to believe in, consumers allow brands to become myths used in a psychologically persuasive way in advertising. According to Drescher, consumers turn to brands in search of an identity:

> 'The trademark no longer merely identifies the product, it also identifies the consumer; it brings him into the myth; it touches an entire range of experience which can be packaged as an identity. The consumer no longer buys a product; he buys, consumes and seeks to assume an identity.'[854]

Therefore, brands have the ability to perform the myth role consumers give them. Such brands develop an 'individual hedonic utility', which consumers want to enjoy when they consume these brands.[855] The consumption of such brands based on psychological pressure may either be enjoyable without any consequences or even deeply destructive

[849] D. B. Holt, 'Why Do Brands Cause Trouble; a Dialectical Theory of Consumer Culture and Branding' *Journal of Consumer Research* 29(1) 2002, 88.
[850] See also D. Fisher et al., 'Co-creation is Chaotic: What is Means for Marketing When No one Has Control' *Marketing Theory* 11(3) 2011, 344.
[851] See J. R. Bettman et al., 'Constructive Consumer Choice Processes' Journal of Consumer Research 25(3) 1998, 187-217.
[852] Wilf (n. 795) 18-19.
[853] M. Grynberg, 'More Than IP: Trademark Among Consumer Information Laws' 55 *Wm. & Mary L. Rev.* 1429 2013-2014, 1444.
[854] Drescher (n. 783) 334.
[855] I. D. Manta, 'Hedonic Trademarks' 74 *Ohio St. L.J.* 241 2013, 263.

since it is artificial.[856] However, the fact that brands have the power to become separate products themselves is based both on the development of strong brand identities by marketers and the needs of consumers to consume such brands.[857] Therefore, the consumption of brands as separates products defines the perceptions of the experiences consumers have with the goods, since they primarily intend to consume the brands and not the goods.[858]

In conclusion, while trade mark law attributes functions on trade marks as explained in the previous chapters, marketing practices uses brands as the central element of all commercial communications. Marketers take advantage of a brand's potential to inform, store information and advertise with the higher aim to create a strong brand identity which enables the brands to become products themselves. This chapter argues that tobacco plain packaging legislation prevents tobacco brands to be used by marketers for any of these promotional purposes. The next section explores the way tobacco plain packaging legislation affects the marketing uses of tobacco brands.

6.2.3 Tobacco Branding Under the Provisions of Tobacco Plain Packaging Legislation

Tobacco plain packaging legislation purports to reduce smoking levels by reducing the appeal of tobacco branding. By prohibiting the use of figurative trade marks and standardising the way the 'brand and variant' appear on the tobacco packaging, tobacco plain packaging legislation targets the reduction of the appeal of the branding of tobacco products. Such branding constitutes a crucial feature of marketing communications and in the case of the marketing of tobacco products, the presence of branding on the packaging is the only remaining element that can be used for such communications. Therefore, this section explains the three ways in which tobacco plain

[856] S. Lux, 'Evaluating Trade Mark Dilution from the Perspective of the Consumer' 34 *U.N.S.W.L.J.* 1053 2011, 1075.
[857] N. Ind, *The Corporate Brand* (NYUP, 1997) 13.
[858] K. Wattanasuwan, 'The Self and Symbolic Consumption' *Journal of the Academy of Business* 6(1) 2005, 179.

packaging legislation may affect tobacco branding and how these can affect the consumers.

As analysed in the previous section, marketing tactics place the brand in the centre of all commercial communications in order to exploit its ability to inform, store information and advertise. In that way, by using brands, marketing practices aim to affect the feelings and thoughts of consumers, who play an important role in the marketplace. In essence, consumers mentally evaluate the final outcome of any commercial communications. Being the central element of all commercial communications, brands depend on the perception of consumers to hold meaning. Branding is a process that should be considered as both an input and an output in the consumer's 'mental vision'; the 'input' branding, the brand vision of the marketer, may not actually match the 'output' impression created in the mind of the consumer.[859] As a result of this input/output process, the brand itself is therefore formed by the evaluation of the consumer rather than the original branding effort envisaged by the marketer. As such, since the input aspect of branding has been discussed above, this section examines the output aspect of branding.

The marketing of tobacco products does not constitute an exception to the general rule that marketing aims to influence consumers through brands. The development and maintenance of strong tobacco brands has been the primary objective of tobacco companies for decades.[860] Having to comply with heavy tobacco control regulation, the tobacco industry sees its trade marks as a crucial means of establishing, promoting and maintaining brand image.[861] However, tobacco plain packaging legislation may not significantly affect brand ability to inform and store information. The presence of the

[859] De Chernatony (n. 799) 18.
[860] R. M. Davis et al., 'The Role of the Media in Promoting and Reducing Tobacco Use' U.S. *National Cancer Institute* 19 2008, 87.
[861] M. Wakefield, 'Market Manipulation: How the Tobacco Industry Recruits and Retains Smokers' in *Tobacco: Science, Policy and Public Health* (Oxford University Press, 2010, Second Edition, edited by P. Boyle et al.) 48.

'brand and variant' allows the transmission and storage of information about tobacco products and the brand. However, as this section explains, the elimination of creative distinctiveness of tobacco brands, as explained above, removes the capacity of such brands to act as efficient tools for advertising. In particular, this section explains how tobacco plain packaging legislation reduces the appeal of tobacco packaging, suppresses the 'brand identity' of tobacco products and limits the power of brands to become products themselves. These are examined in turn.

Firstly, the restrictive provisions of tobacco plain packaging legislation reduce the appeal of tobacco packaging. Packaging is an important part of marketing communications for two reasons.[862] For tobacco products, packaging can be an effective advertising vehicle as it is carried by smokers in various places and is used many times during the day.[863] Therefore, the frequency and intensiveness of the use of tobacco packaging makes it an important device which tobacco marketers exploit.[864] Despite this, the fact that tobacco products are difficult to differentiate, especially to young people who are not smokers, compels marketers to use brands and distinctive packaging to separate their products from others.[865] The generic nature of the tobacco products requires more effort to achieving creative distinctiveness of tobacco brands.[866]

The standardisation of word marks and the prohibition of any figurative trade marks renders the tobacco packaging a simple carrier of tobacco products.[867] This results in the

[862] L. V. D. Berg-Weitzel et al., 'Relation Between Culture And Communication In Packaging Design' *Brand Management* 8(3) 2001, 13.
[863] Davis (n. 860) 106.
[864] R. L. Underwood, 'The Communicative Power of Product Packaging: Creating Brand Identity Via Lived and Mediated Experience' Journal of Marketing Theory & Practice 11(1) 2015, 62.
[865] See C. Moodie et al., 'Young People's Perceptions of Cigarette Packaging and Plain Packaging: An Online Survey' *Nicotine & Tobacco Research* Volume 14 Number 1 January 2012, 98–105.
[866] M. Wakefield et al., 'The Cigarette Pack as Image: New Evidence from Tobacco Industry Documents' *Tobacco Control* 2002 (11), 78.
[867] G. Berger-Walliser, 'The Impact of Plain Packaging Regulation on Illicit and Non-Illicit Tobacco Products in the European Union' 38 *N.C.J. Int'l L. & Com. Reg.* 1015 2013, 1058.

weakening of the desirable brand identity[868] that would otherwise affect the attractiveness of the packaging.[869] For example, brand imagery is affected by the tobacco plain packaging legislation banning different colours or imagery such as 'coats of arms of interlinked letters' to appear anywhere on the packaging.[870] As a result, with the absence of strong branding on the packaging, the overall presentation of tobacco products is less visually appealing.[871]

Consequently, the reduced appeal of the tobacco packaging increases the prominence of health warnings appearing on the packaging. It has been suggested that brand image captivates consumer attention,[872] and therefore the use of tobacco brand imagery forms a distraction to the health warnings.[873] One study concluded that the restrictive provisions of tobacco plain packaging legislation significantly increase the time young non-smokers spent attending to health warnings.[874] Therefore, tobacco plain packaging legislation reduces the appeal of tobacco packaging and increases the prominence of health warnings.

Secondly, tobacco plain packaging legislation suppresses the brand identity of tobacco products. Brand identity is a strategic tool utilised by marketers to commutate the

[868] C. N. Smith et al., 'Plain Packaging Of Cigarettes: Do We Have Sufficient Evidence?' *Risk Management and Healthcare Policy* 2015 8, 23.
[869] N. Hughes et al., 'Perceptions And Impact Of Plain Packaging Of Tobacco Products In Low And Middle Income Countries, Middle To Upper Income Countries And Low-Income Settings In High-Income Countries: A Systematic Review Of The Literature' *BMJ Open* 2016 6, 7.
[870] P. Gendall et al., 'Young Adults' Interpretations of Tobacco Brands: Implications for Tobacco Control' *Nicotine & Tobacco Research* 13(10) 2011, 916.
[871] Berger-Walliser (n. 867) 1043.
[872] K. Gallopel-Morvan et al., 'Demarketing Tobacco Products: The Influence Of Plain Packs On Smokers And Non-Smokers Perceptions And Behavioural Intentions' *Journal de Gestion et D'économie Médicales* 2012/5 (30), 329.
[873] D. Mays et al., 'Cigarette Packaging And Health Warnings: The Impact Of Plain Packaging And Message Framing On Young Smokers' *Tob Control*. 2015 24(0), 8.
[874] M. Shankleman et al., 'Standardised (Plain) Cigarette Packaging Increases Attention To Both Text-Based And Graphical Health Warnings: Experimental Evidence' *Public Health* 29 2015, 41. See also O. M. Maynard et al., 'Visual Attention To Health Warnings On Plain Tobacco Packaging In Adolescent Smokers And Non-Smokers' *Addiction* 108 2012, 417.

unique attributes of their brand;[875] as such, it enables the consumer to signal a sense of their self.[876] The power of such brand identity is efficiently exploited when the brand is displayed in a prominent position on products.[877] As a result, the standardisation of tobacco packaging prevents the maintenance of brand identity of all tobacco brands and hence, prevents its use as a symbol of consumer self-identification.

Recent studies found that tobacco plain packaging legislation reduces positive brand perceptions.[878] The prohibiting provisions of tobacco plain packaging legislation reduce the attachment consumers have to the brand,[879] and also prevent the use of brand identity as a means of communicating a desired self-identity.[880] While branded tobacco packaging acts as social identification of smokers, plain packaging prevents the consumer from conveying a desirable status;[881] for example, studies have been found that tobacco plain packaging legislation affects the appeal of cigar products.[882] With a strong brand identity and appealing packaging in place, the consumption of cigars was perceived as signalling prestige and wealth. However, as tobacco plain packaging legislation prevents the presence of brand identity, it destroys preconceived perceptions about cigars and their consumption. As a result, the elimination of tobacco brand identities affect the willingness of consumers to display their tobacco packaging in public[883] and may even result in embarrassment, shame or guilt.[884]

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[875] A. Wheeler, *Designing Brand Identity* (Wiley, 2018) 48.
[876] R. W. Belk, 'Possessions and the Extended Self' *Journal of Consumer Research* 15 1988, 140.
[877] D. L. Mothersbaugh, *Consumer Behavior: Building Marketing Strategy* (McGraw-Hill Education, 2016) 423.
[878] W. Hugh et al., 'Smoke Signals: The Decline Of Brand Identity Predicts Reduced Smoking Behaviour Following The Introduction Of Plain Packaging' *Addictive Behaviors Reports* 5 2017, 52.
[879] K. Gallopel-Morvan et al., 'Perceptions Of Plain Packaging Among Young Adult Roll-Your-Own Smokers In France: A Naturalistic Approach' *Tob Control* 2015 24, 43.
[880] J. Balmford et al., 'Impact Of The Introduction Of Standardised Packaging On Smokers' Brand Awareness And Identification In Australia' *Drug and Alcohol Review* 35 2016, 108.
[881] Hugh (n. 878) 53.
[882] C. L. Miller et al., "You're Made To Feel Like A Dirty Filthy Smoker When You're Not, Cigar Smoking Is Another Thing All Together." Responses Of Australian Cigar And Cigarillo Smokers To Plain Packaging' *Tob Control* 2015 (24), 64.
[883] M. Zacher et al., 'Personal Pack Display And Active Smoking At Outdoor Café Strips: Assessing The Impact Of Plain Packaging 1 Year Postimplementation' *Tob Control* 2015 (24), 96.

Thirdly, tobacco plain packaging legislation limits the power of brands from become products themselves. As explained above, brands with strong identities have the capacity to become myth-brands and evolve from mere communication tools to brands that overshadow the objects they purport to promote.[885] The emancipation of brands from physical goods and their transformation to products that consumers are willing to consume is the result of effecting marketing practices that aim to transform brands to icons.[886] By achieving this, brands acquire power which, if exploited in the desired way, can be of great value.[887]

With the absence of a strong brand image, tobacco marketers no longer have access to the tools to influence consumer expectations.[888] The prohibitive provisions of tobacco plain packaging legislation have been found to alter the experience of smokers,[889] and the absence of branding creates a different perception of the experience of smoking.[890] As a result, tobacco plain packaging legislation is found to alter the overall experience of the product, since tobacco brands no longer overshadow the characteristic of tobacco products. Without the capacity to develop and maintain strong brand identities associated with positive brand perceptions, new tobacco brands have a limited ability to become myths, while existing tobacco products that are already associated with such mythical characteristics are likely to be degraded from things in their own right to mere

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[884] C. Moodie et al., 'Young Adult Smokers' Perceptions Of Plain Packaging: A Pilot Naturalistic Study' *Tobacco Control* 2011 (20), 372.

[885] L. Bently, 'Communication to Thing: Historical Aspects to the Conceptualization of Trade Marks as Property' *University of Iowa Legal Studies* Research Paper Number 07-31 November 2007, 32.

[886] See D. Holt, *How Brands Become Icons: The Principles of Cultural Branding* (Harvard Business Review Press, 2013) 2.

[887] D. A. Aaker 'Managing Brand Equity Capitalizing on the Value of a Brand Name' (The Free Press, 1991) 20.

[888] M. P. McKenna, 'The Normative Foundations of Trademark Law' *Notre Dame L. Rev.* Vol. 82 No. 5 2007, 1899. See also J. Sheff, 'Accentuate the Normative: A Response to Professor McKenna' 98 *Va.L.Rev.* 48 2012.

[889] M. Bansal-Travers et al., 'The Impact of Cigarette Pack Design, Descriptors, and Warning Labels on Risk Perception in the U.S.' *Am J Prev Med* 2011 40(6), 680.

[890] G. Skaczkowski et al., 'Influence Of Premium Versus Value Brand Names On The Smoking Experience In A Plain Packaging Environment: An Experimental Study' *BMJ Open* 2017 (7), 7.

communications. Therefore, by removing all positive associations created around a tobacco brand, tobacco plain packaging legislation reduces the status endowed upon its consumers.[891]

In conclusion, this section analysed the importance of tobacco brands for tobacco companies and explained how tobacco plain packaging legislation affects the appeal of tobacco packaging, the brand identity of tobacco products and the power of brands to be products themselves. With the prohibition of any other marketing communications, tobacco companies are allowed to use their brand only on the tobacco packaging. By standardising the way tobacco trade marks appear on the tobacco packaging and prohibiting any other trade marks from appearing on the packaging, tobacco plain packaging legislation prevents tobacco brands from acting as vehicles of advertising. The limited freedom remaining to the tobacco companies to choose and apply their word mark on the tobacco packaging does not allow them to fully exploit the potentials of their brand.[892] The next section explains the impact of tobacco plain packaging legislation on inventive advertisements by providing three examples from other industries.

6.2.4 Inventive Uses of Tobacco Brands on Tobacco Packaging under Tobacco Plain Packaging Legislation

As explained above, marketing uses brands as means of as advertisements. One might expect that trade marks in commercial communications would be used as mere tools in advertisements performing their essential function to indicate trade origin. Instead, the fact that trade marks can develop personalities and signal more than trade origin enabled marketers to use trade marks as the advertisement itself. In Schechter's words,

[891] J. Hoek et al., 'Tobacco Branding, Plain Packaging, Pictorial Warnings, and Symbolic' *Consumption Qualitative Health Research* 22(5) 2012, 636.
[892] See A. Ford et al., 'Cigarette Pack Design And Adolescent Smoking Susceptibility: A Cross-Sectional Survey' *BMJ Open* 2013 (3), 8.

by using a trade mark as an advertisement, it becomes a creative 'silent salesman'.[893] With the aim of reducing the advertising powers of tobacco brands, tobacco plain packaging legislation allows the 'brand and variant' to appear only in a standardised way on the tobacco packaging and prohibits the use of other trade marks or embellishments. The prohibition of additional trade marks or embellishments aims to further reduce the impact of the 'brand and variant'.

Interestingly, two companies that possess trade marks with tremendous reputation, Coca-Cola and McDonald's, have developed certain marketing campaigns in which the main brand had no prominent position. Therefore, this section examines three marketing campaigns from these two companies as examples which highlight the importance of all other trade marks and embellishments that appear on the packaging of products besides the main word mark. It further argues that the prohibition of multiple trade marks and embellishments on tobacco packaging can prevent inventive advertisements.

Firstly, Coca-Cola's latest marketing strategy can help illustrate the importance of multiple uses of trade marks on the packaging. Coca-Cola uses their unique script, and the word mark is underlined with the so-called 'Dynamic Ribbon Device' which is a wavy line.[894] In 2013, the company decided to substitute their word mark with common first names. With smaller letters above the first name used, the phrase 'Share a Coke with' was written. For example, one could buy a bottle of Coca-Cola with the phrase 'Share a Coke with Bob' written on it. The success of this marketing strategy evidences that Coca-Cola is able to indicate its trade origin without using its word mark 'Coca-Cola' in a prominent position. The colour, the script and the Dynamic Ribbon Device were able to perform the same function. According to the Marketing Director of Coca-Cola, the idea was to create an emotional bond between the brand the and the consumer:

[893] F. I. Schechter, 'Fog and Fiction in Trade-mark protection' 36 *Colum. L. Rev.* 60 1936, 65.
[894] Coca-Cola Journey Staff, 'The Coca-Cola logo story', 2017, http://www.coca-cola.co.uk/stories/history/advertising/the-logo-story, accessed 13 June 2018.

> 'The campaign capitalised on the global trend of self-expression and sharing, but in an emotional way. Coke is big enough to pull off an idea like this, which speaks to the iconic nature of the brand. Who would want their name on a brand unless it was as iconic as Coke?'[895]

This campaign was so successful that Coca-Cola decided to launch a similar campaign in 2017. This time the prominent word on the bottle was an exotic holiday destination.[896] The Coca-Cola word mark was appearing smaller in the phrase 'Share an ice cold Coca-Cola in'. For example, some bottles displayed the phrase 'Share an ice cold Coca-Cola in Barbados'.

Also, in 2013, McDonald's undertook a campaign in which images of their food products were advertised without the use of any McDonald's brand appearing.[897] Just like Coca-Cola, McDonald's adverts were based on the assumption that customers can feel the intimacy between them and the food products. The fun game of understanding what is being advertised without seeing the brand demonstrates the importance of the trade mark; even in its absence, it is in the spotlight.

Furthermore, in 2017 McDonald's came up with a second 'brand-less' advertising campaign. This time, the actress and comedian Mindy Kalling appeared in a television commercial asking viewers to do a Google search for 'that place where Coke tastes so

[895] M. Hepburn, 'The Share a Coke Story', 2017, http://www.coca-cola.co.uk/stories/share-a-coke, accessed 13 June 2018.
[896] The Coca-Cola Company, 'The Iconic Share A Coke Campaign is Back: And This Time It's Going on Holiday', 19th April 2017, http://www.coca-cola.co.uk/stories/the-iconic-share-a-coke-campaign-is-back, accessed 13 June 2018.
[897] L. Stampler, 'McDonald's Didn't Put Its Name On This New Series of Experimental Ads in France', Business Insider, 31st July 2013, http://www.businessinsider.com/mcdonalds-didnt-put-its-name-in-this-series-of-new-ads-2013-7, accessed 13 June 2018.

good.'[898] With this advertisement, McDonald's was able to reinforce the connection between the brand and the customers using the already existing discussion on the better Coke taste created by McDonald's customers:

> 'The notion that Coke tastes differently at McDonald's has been a topic of fascination for some time. The New York Times, as part of a 2014 article on the business relationship between McDonald's and Coke, which dates back to 1955, reported that Coke has a special system for transporting and producing the beverage at the fast-food chain.'[899]

What these examples therefore demonstrate is that the connection string between a customer and a brand, once developed, can become extremely powerful. It can gain so much power that holders of colossal trade marks like Coca-Cola and McDonalds can use this connection in order to reinforce it. By hiding their trade marks in the examples examined above, they are flaunting this power.

When it comes to the tobacco industry, the benefits of the use of multiple trade marks on packaging is reflected in the number of tobacco trade marks that are registered. As of June 2018, TMView indicated that 257,763 trade marks were registered under Niece Class 34;[900] tobacco, smokers' articles and matches.[901] Out of these, 104,870 were word marks and 9,149 were of an undefined type. The 143,744 remaining tobacco class trade marks were registered as one of the following types: combined, figurative, other, stylised characters, general, combination of colours, 3-D, colour, sound, hologram or packing. Consequently, only 41% of these trade marks were word marks and therefore

[898] S. Maheshwari, 'A McDonald's Ad That Never Mentions the Name McDonald's', The New York Times, 17th April 2017, https://www.nytimes.com/2017/04/17/business/media/mcdonalds-ads-mindy-kaling.html, accessed 13 June 2018.
[899] *Ibid.*
[900] TMview, https://www.tmdn.org/tmview/welcome.html, accessed 13 June 2018.
[901] World Intellectual Property Organization, http://web2.wipo.int/classifications/nice/nicepub/en/fr/edition-20170101/taxonomy/class-34/?pagination=no&lang=en&mode=flat&explanatory_notes=show&basic_numbers=show, accessed 13 June 2018.

potentially eligible to appear on a tobacco packaging. The remaining 59% of these trade marks cannot appear on a cigarette pack under a tobacco plain packaging regime. The fact that more than half of registered tobacco trade marks are anything other than word marks reinforces the argument that the use of multiple trade marks empowers the word mark and promotes the product. As a consequence, the use of plain packaging and the complete standardisation of tobacco products significantly contribute to reducing such power.

Currently, tobacco plain packaging legislation is the latest trend in tobacco control and its main feature is the standardisation of word marks. In fact, word marks are the final advertising avenue remaining to the tobacco industry and the last features that may draw attention away from the health warnings appearing on tobacco products. As a result, Chapman argues that the remaining opportunity for the tobacco industry to maximise these uses of the word marks, is 'to name brands in beguiling new ways'.[902] Taking this into account, this thesis argues that one possible foreseeable development in relation to the presentation of tobacco products is the prohibition of the variant name. With only the brand name on the packaging of tobacco products, tobacco companies will be forced to narrow their product catalogue to one offering per company. For example, Marlboro would only sell cigarettes in a single standardised packet with no means for further differentiation between variants.[903] As a result, only a single trade mark will be responsible for the performance of any functions of trade marks, and for that reason, this could be the next step of tobacco control after tobacco plain packaging legislation as it is currently enacted.

In conclusion, the prohibitive provisions of tobacco plain packaging legislation prevent marketers from developing inventive advertisements or promotions. By limiting the uses of trade marks on tobacco products, tobacco plain packaging legislation attacks tobacco

[902] S. Chapman et al., *Removing the Emperor's Clothes: Australia and Tobacco Plain Packaging* (Sydney University Press, 2014) 182.
[903] Examples of variants include words like 'red', 'blue', 'gold' or 'silver'.

packaging as one of the last places where tobacco companies can advertise within the European Union. The expectation is that as the advertising of tobacco products ceases, brand appeal will decrease and, as a result, the use of tobacco products will be reduced significantly.[904] The next section examines the potential impact of tobacco plain packaging legislation on consumer search costs.

6.3 Tobacco Plain Packaging Legislation and its Impact on Trade Marks as Devices Reducing Search Costs

As the previous section explained, the restrictive provisions of tobacco plain packaging legislation affect the commercial power of tobacco trade marks. Tobacco plain packaging legislation constitutes the first legislation which attempts to reduce the differential distinctiveness of all trade marks of a particular market while safeguarding their source distinctiveness. This section explores the potential consequence of the reduction of this differential distinctiveness on consumer search costs. Although the search costs theory constitutes a justification for the protection of trade marks from an economic efficiency point of view, this thesis uses this reasoning to examine whether tobacco plain packaging legislation increases the search costs of existing smokers or potential tobacco consumers.

According Akeelof, sellers have more information regarding the quality of the products they sell than their buyers.[905] This creates an information asymmetry which, without the use of trade marks, induces sellers to mislead buyers.[906] For example, in the case of the tobacco market, if all tobacco products were sold as unidentified commodities, no tobacco company would have the incentive to maintain good and consistent tobacco

[904] S. M. Maniatis et al., 'A Consumer Trade Mark: Protection Based on Origin and Quality' *E.I.P.R.* 1993 15 (11) 406-415, 409.
[905] G. A. Akeelof, 'The Market For "Lemons": Quality Uncertainty And The Market Mechanism' *Quarterly Journal of Economics* (1970) Vol. 84, No. 3, 489.
[906] See also J. Dilbary, 'Getting the Word Out: The Information Function of a Trademark' 40 *Ariz. St.L.Rev.* 991 2010.

product quality; on the contrary, companies would compete to market the cheapest, worst quality tobacco products.[907] Therefore, without the use of trade marks as means of accountability, there is no trustworthy and appropriate information to guide purchasing decisions,[908] and this would enable information asymmetry to cause the failure of the tobacco market.[909]

However, the use of trade marks reduces uncertainty regarding the quality of the products they represent.[910] By indicating trade origin, trade marks enable consumers to associate tobacco trade marks with the quality of their tobacco products and thus determine future purchases.[911] As a result, the use of trade marks gives tobacco companies an incentive to maintain product quality.

The process of evaluating quality and attributing that evaluation to particular trade marks differs between three types of goods.[912] The first category is in relation to 'search goods', for which the product characteristics can be observed before buying.[913] The second category includes 'experience goods'.[914] Unlike search goods, experience goods do not provide any information about their quality before purchase, and quality can only be evaluated after consumption.[915] The final category is constituted by 'credence goods'. These types of goods do not provide any information about their quality either before nor after consumption.[916]

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[907] See P. Nelson, 'Advertising as Information' *Journal of Political Economy* 82 1979, 729.
[908] G. B. Ramello, 'What's In A Sign ? Trademark Law And Economic Theory' *Journal of Economic Surveys* 4 2006, 551.
[909] See also F. M. Bator, 'The Anatomy Of Market Failure' Quarterly Journal Of Economics 72(3) 1958 351–379.
[910] Akeelof (n. 905) 499.
[911] *Ibid*., 500.
[912] A. Katz, 'Beyond Search Costs: The Linguistic and Trust Functions of Trademarks' 2010 *BYU L. Rev.* 1555 2010,1560.
[913] M. R. Darby et al., 'Free Competition and the Optimal Amount of Fraud' 16 *J.L. & ECON.* 67 1973, 68. For example, salt falls in this category of goods.
[914] For example, tobacco products are experience goods.
[915] N. S. Economides, 'The Economics of Trademarks' 78 *Trademark Rep.* 523 1988, 525.
[916] Darby (n. 913) 68. For example, pharmaceutical products fall in this category of goods.

Consequently, the evaluation of quality and its attribution to particular trade marks is of paramount importance in relation to experience goods.[917] There is no need for search goods to rely on trade marks to signal quality since this can be communicated from their characteristics upon observation. Furthermore, it is more difficult for credence products to provide information about their quality through particular trade marks since no information can be collected even after consumption. Therefore, the use of trade marks can be of great use in relation to experience products. This is the case since after consumption the evaluation of quality can be attributed to the trade marks of experience products. The accumulation of these evaluations enables the trade marks of experience goods to signal a particular quality for the products they are attached to and, in doing so, shape the consumer's future purchasing decisions.[918]

The important role trade marks play as indicators of quality in relation to experience goods is the basis of the search costs theory, as developed by Landes and Posner.[919] According to this theory, trade marks 'enable the consumer to economize on a real cost because he spends less time searching to get the quality he wants.'[920] In other words, the use of trade marks speeds up consumptive decisions in relation to experience goods and reduces consumer search costs.[921] This empowers the 'economizing function' of trade marks and hence trade marks are not only used to prevent market failure, but also to promote economic efficiency.[922]

In order for search costs to be reduced efficiently, consumers must be familiar with trade marks, associate trade marks with particular goods and be able to recall the

[917] T. R. Martino et al., 'The Quality Guarantee Function Of Trade Marks: An Economic Viewpoint' *E.I.P.R.* 1989, 11(8), 268.
[918] Economides (n. 915) 525.
[919] W. Landes et al., *The economic structure of intellectual property law* (Harvard University Press, 2003) 207.
[920] W. M. Landes et al., 'Trademark Law: An Economic Perspective' 30 *J.L. & Econ.* 265 1987, 275.
[921] cf. M. P. McKenna, 'A consumer Decision-Making theory of Trademark Law' 98 *Va. L. Rev.* 67 2012, 71, McKenna has a dissenting view on the search costs theory, arguing that not all search costs can or should be eliminated. He explains that 'only confusion that affects purchasing decisions should be relevant to trademark law'.
[922] *Ibid.*, 269.

marks.[923] These requirements involve both source and differential distinctiveness. Source distinctiveness safeguards the essential function of trade marks to indicate trade origin,[924] empowers the communicative aspects of trade marks,[925] and facilitates the association of trade marks with particular products.[926] Differential distinctiveness is important since, as Barnes argues, stronger trade marks convey more information.[927] For this reason, by using the strength of particular trade marks, advertising provides the necessary information that links products with trade marks and hence reduces search costs.[928] For newcomers in a particular market, differential distinctiveness also constitutes a 'barrier to entry' in the sense that it is more difficult for them to convey information while competing with such strong marks.[929]

Finally, Landes and Posner suggest that good and consistent quality creates reputation that increases the value of trade marks.[930] They explain that the value of a trade mark depend on its reputation and that the reputation, like the search costs, depend on the quality of the products.[931] For this reason it is argued that the maintenance of consistent quality benefits both the seller and the buyer.[932] Sellers use consistent quality to acquire reputation, develop goodwill and increase the value of their trade marks,[933] and buyers use trade marks as shorthand indicators of the consistent quality and benefit from reduced search costs.[934]

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[923] M. Strasser, 'The Rational Basis of Trademark Protection Revisited: Putting the Dilution Doctrine into Context' 10 *Fordham Intell. Prop. Media & Ent. L.J.* 375 2000, 381. See also H. Noel, 'The Spacing Effect: Enhancing Memory for Repeated Marketing Stimuli' *Journal Of Consumer Psychology* 16(3) 2006, 306-320.
[924] S. Carter, 'The trouble with trademarks' 99 *Yale L.J.* 759 1989-1990, 762.
[925] Ramello (n. 908) 553.
[926] Landes (n. 920) 288.
[927] D. W. Barnes, 'A New Economics of Trademarks' 5 *Nw. J. Tech. & Intell. Prop.* 22 2006, 51.
[928] D. M. McClure, 'Trademarks and Unfair Competition: A Critical History of Legal Thought' 69 *Trademark Rep*. 305 1979, 345.
[929] Economides (n. 915) 535, footnote 23.
[930] Landes (n. 920) 270.
[931] *Ibid*.
[932] See also S. L. Dogan et al., 'Trademarks and Consumer Search Costs on the Internet' 41 *Hous. L. Rev.* 777 2004-2005, 787.
[933] Ramello (n. 908) 561.
[934] S. L. Dogan et al., 'A Search-Costs Theory of Limiting Doctrines in Trademark Law' 97 *Trademark Rep.* 1223 2007, 1224-1227.

Tobacco products are experience goods. The tobacco market requires the use of trade marks to accumulate information, direct purchasing decisions and reduce search costs. This section now turns to examine the potential consequence of tobacco plain packaging legislation on consumer search costs. As examined in the previous chapters, tobacco plain packaging legislation preserves the source distinctiveness of tobacco trade marks while it is likely to affect their differential distinctiveness. Furthermore, this thesis argues that tobacco plain packaging legislation is likely to affect the reputation of tobacco trade marks and the patronage of tobacco companies; as a result, in the long term, this will affect the goodwill of tobacco trade marks. As with the discussion about the goodwill, the discussion of the consequences of tobacco plain packaging legislation on consumer search costs is separated by chronological concerns; the short term consequences and the long term ones.

This thesis argues that in the short term, the provisions of tobacco plain packaging legislation are unlikely to affect the capacity to signal quality of those trade marks used before the implementation of this legislation. When it comes to pre-existing tobacco trade marks, it is argued that the information about the quality of tobacco products accumulated by decades of marketing, promotion and advertising is transferred and focused on the standardised 'brand and variant'.[935] Consequently, in the short term, the use of the word marks provides an incentive for consistent quality and maintains the search costs of tobacco products. However, it is likely that tobacco plain packaging legislation will affect new tobacco companies aiming to sell tobacco products and compete in the market.

The reason for this is that immediately after the implementation of tobacco plain packaging legislation, the barriers of entry for newcomers increased greatly.[936] The restrictive provisions of tobacco plain packaging legislation do not allow the

[935] Skaczkowski (n. 890) 9.
[936] Barnes (n. 927) 9.

development of differential distinctiveness of new tobacco trade marks. The limited right to use their word mark in a standardised way in a market where some of their competitors use strong trade marks leaves newcomers at a clear disadvantage. Consequently, it can be argued that with the absence of pricing regulation for tobacco products, newcomers may offer tobacco products at competitive prices.[937] However the question relevant to this discussion remains: does the word mark, with mere source distinctiveness, give newcomers the incentive to maintain good quality for tobacco products and thus reduce search costs? This thesis argues that it is unlikely for such an incentive to be created. With the absence of the potential to developing differential distinctiveness, new, unknown and standardised trade marks are less likely to have the incentive of maintaining consistent quality and thus convey the information necessary to reduce search costs of tobacco consumers. This means that consumer search costs in relation to the purchase of tobacco products may increase in relation to new tobacco products. As a result, a possible consequence could be that the tobacco industry will develop mainly with pre-existing tobacco companies.[938]

In the long term, it is argued that tobacco plain packaging will have a greater impact on tobacco trade marks. Research suggests that plain packaging reduces 'positive brand perceptions'[939] and the overall appeal of tobacco trade marks.[940] Furthermore, research has shown that the absence of branded packaging leads to embarrassment and

[937] Moodie (n. 884) 367.

[938] Here is relevant to note that although the tobacco industry claims that tobacco plain packaging is going to increase the illicit trade of counterfeit tobacco products, research shows that there is no evidence to support this claim. See C. Moodie et al., 'Young women smokers' perceptions and use of counterfeit cigarettes: Would plain packaging make a difference?' *Addiction Research and Theory* 2014 22(3), 268, S. Chapman et al., *Removing the Emperor's Clothes: Australia and Tobacco Plain Packaging* (Sydney University Press, 2014) 67, M. Scollo et al., 'Early evidence about the predicted unintended consequences of standardised packaging of tobacco products in Australia: a cross-sectional study of the place of purchase, regular brands and use of illicit tobacco' *BMJ Open* 2014(4), 6, L. Harms, 'Plain packaging and its impact on trademark law', 46 De Jure 387 2013, 400.

[939] Hugh (n. 878) 52.

[940] K. Gallopel-Morvan et al., 'Consumer Perceptions Of Cigarette Pack Design In France: A Comparison Of Regular, Limited Edition And Plain Packaging' *Tobacco Control* 2011 (10), 4.

shame,[941] and as a result, smokers avoid revealing the tobacco packaging and thus enabling the trade mark to signal any information.[942] As a result, it is argued that tobacco plain packaging legislation is likely to weaken the strength of tobacco trade marks. However, it is not certain whether this will affect the maintenance of consistent quality of the tobacco companies remaining in the market. Tobacco companies may no longer have the incentive to maintain good quality since they will lose their ability to capitalise on the repeated purchases ensured by the powerful signalling ability of their trade marks.

Nonetheless, tobacco companies may have the incentive to maintain good quality in order to keep existing buyers of their products. Although the 'brand and variant' appearing on the tobacco product are unlikely to be attractive, they will retain their ability to act as a means of accountability. In fact, the possible monopolistic nature of the market that may be created by the great barriers of entry may give tobacco companies the incentive to maintain an even higher quality level in order to dominate the market. In other words, with the absence of the threat of newcomers and with a diminished brand identity, tobacco companies may be forced to compete solely in relation to the quality of their products. Therefore, tobacco plain packaging legislation may result in the incentive to increase product quality and so reduce consumer search costs.

In conclusion, the use of trade marks as a means of accountability provides sellers with the incentive to maintain consistent product quality and hence prevents market failure.[943] By accumulating information about the quality of products, trade marks reduce search costs and contribute to the economic efficiency of the market.

[941] C. S. Moodie et al., 'Young Adult Women Smokers' Response To Using Plain Cigarette Packaging: A Naturalistic Approach' *BMJ Open* 2013 (3), 8.
[942] J. Balmford et al., 'Impact Of The Introduction Of Standardised Packaging On Smokers' Brand Awareness And Identification In Australia' *Drug and Alcohol Review* 35 2016, 108.
[943] See also F. L. Laux, 'Addiction As A Market Failure: Using Rational Addiction Results To Justify Tobacco Regulation' *Journal of Health Economics* 19 2000. 421–437.

Furthermore, the use of trade marks gives sellers the incentive to maintain product quality in order to increase their selling power and hence the value of their trade marks. Therefore, the reduction of search costs benefits both sellers and buyers.[944]

By allowing the use of the 'brand and variant', the restrictive provisions of tobacco plain packaging legislation maintain the use of trade marks as a means of accountability. As a result, although it is argued that this may create entry barriers for new tobacco companies, it cannot be argued that this legislation is likely to lead to the failure of the tobacco market. However, since the promotional power of trade marks is diminished, it is uncertain whether tobacco plain packaging legislation will affect search costs in the tobacco market in the long term.

6.4 Conclusion

The 'presence or absence' of brands on product packaging is a key consideration in consumer purchasing decisions.[945] When it comes to the tobacco industry in particular, the presence of strong brands was always considered vital for the maintenance of the tobacco industry, as it creates a 'more profitable market for all competitors.'[946] Tobacco plain packaging legislation aims to reduce the usage of tobacco products by degrading learned associations between tobacco brands and their products.[947] By strictly regulating the use of tobacco brands, this legislation attempts to weaken their marketing power and allow consumers to reconsider their purchasing decisions.[948]

[944] Katz (n. 912) 1558.
[945] De Chernatony L. et al., *Creating Powerful Brands* (Elsevier, 2011) 98.
[946] S. M. Carter, 'The Australian Cigarette Brand As Product, Person, And Symbol' *Tobacco Control* 2003 (12), 84.
[947] P. Beede et al., 'The Effect of Plain Packages on the Perception of Cigarette Health Warnings' *Public Health* 1992 106 315-322, 321.
[948] See by analogy M. LaFrance, 'No reason to live: Dilution Laws as Unconstitutional Restrictions on Commercial Speech', 58 S. C. L. Rev. 709, 2007, 719.

By considering the goals of tobacco plain packaging legislation, this chapter examined the potential practical consequences on trade marks as marketing tools and as devices reducing search costs. As explained above, the brand is the central element of all marketing communications as it has the ability to inform, store feelings and thoughts, and advertise. For marketers, the brand is a powerful tool that can be used on the packaging in order to enable consumers to identify products and induce more purchases.[949] Taking into account the importance of the presence of brands on tobacco packaging, this chapter argued that the restrictive provisions of tobacco plain packaging legislation reduce the appeal of tobacco packaging and prevent marketers from using tobacco brands in inventive ways.[950] Furthermore, by analysing the importance of brand identity, this chapter argued that tobacco plain packaging legislation suppresses the brand identity of tobacco products and limits the power of brands to become products themselves. As a result, tobacco plain packaging legislation is found to heavily affect trade marks as marketing tools.

Furthermore, this chapter examined the possible consequences of tobacco plain packaging legislation on trade marks as devices reducing search costs. Trade marks are considered to be important as they promote economic efficiency.[951] By giving an incentive for companies to maintain the quality of their products, trade marks provide information about the source and quality of the goods they are attached to and therefore are considered to reduce search costs.[952] This chapter argued that although the provisions of tobacco plain packaging legislation are unlikely to result in the failure of the tobacco market, it is uncertain whether they will affect search costs.

[949] K. E. Clowe et al., Integrated Advertising, Promotion, and Marketing Communications (Pearson, 2018) 45.
[950] See Expert Panel Report Prepared at the request of Health Canada, 'When Packages Can't Speak: Possible Impacts of Plain and Generic Packaging of Tobacco Products' March 1995.
[951] See K. L. Port, 'The Commodification of Trademarks: Some Final Thoughts on Trademark Dilution' 46 *Hofstra L. Rev.* 669 2017, 707.
[952] Landes (n. 919) 207.

As the most intrusive tobacco control policy thus far, tobacco plain packaging legislation strictly regulates the way tobacco trade marks are used on the packaging of tobacco products. Although this chapter examined the potential practical consequences of this legislation on trade marks as marketing tools and as devices reducing search costs, more time is needed to determine and apprehend the full consequences tobacco plain packaging legislation will have on tobacco trade marks and consequently on the tobacco market. What is already certain is that tobacco plain packaging is an unprecedented legislation that aims to regulate the use of products of a particular industry by regulating their trade marks and, therefore, its practical consequences are likely to be of great use for the formation of future regulations.

Chapter Seven

Discussion and Conclusions

7.1 Introduction

Despite the arguments presented in a number of studies, including this thesis, regarding the logic of introducing a tobacco plain packaging legislation, such legislation is still considered controversial. It is seen as an intrusive piece of legislation as a result of its perceived detrimental impact on tobacco trade marks and its alleged interference with the rights conferred by a trade mark on its owner. For that reason, this thesis analysed the core provisions of European trade mark law and its justifications in an attempt to establish the theoretical basis and justification for tobacco plain packaging legislation. One of the other main benefits of this approach is that it allowed the thesis to use tobacco plain packaging legislation as an analytical tool to redefine the rationale behind the European trade mark law and explore how trade mark law is created and developed.

This is the final chapter of this thesis, which provides the conclusions in the issues raised by the research questions. This chapter is organised into four sections. Following the introductory section, section 2 provides an overview of the findings in relation to the interaction of tobacco plain packaging legislation with the tobacco trade marks as regulated by the European trade mark law system and its doctrines. It explains that the modern functions of trade marks are viewed as the theoretical basis of tobacco plain packaging legislation and summarises the arguments in relation to trade marks as objects of property, indicators of trade origin, marketing tools and devices reducing search costs.

Section 3 gives the final arguments on the justification of tobacco plain packaging legislation. As was mentioned in the previous chapters, this thesis argues that it is the combination of public health policy agendas with the justifications of trade mark law

that justify tobacco plain packaging legislation. By taking this into account, and in order to enhance the importance of public health policy agendas of tobacco control, Section 3 demonstrates that there are two prominent reasons for the justification of tobacco plain packaging legislation. The first one is that the promotion of tobacco products used to target children. The second one is that by being a lethal but legal product, tobacco is a unique type of product. These two reasons play an important role in the overall justification of tobacco plain packaging legislation.

Finally, section 4 explains that the discussion of tobacco plain packaging legislation, in the light of the rationale behind the European trade mark law, results in the conclusion that there is a universal, coherent process under which European trade mark laws are developed. This thesis suggests that the creation of trade mark law provisions involves a two-stage process. Under this process, the legislator takes into account the functions of trade marks and gives weight to a particular balancing interest. This thesis concludes that the understanding of the creation of trade mark law provisions as the result of this process illustrates the important role trade mark law provisions can play in the wider spectrum of public policy.

7.2 Tobacco Plain Packaging Legislation and Tobacco Trade Marks as Regulated by the European Trade Mark Law System and its Doctrines

The Director General of the World Health Organization has characterised the use of tobacco products as 'a contagious disease that is transmitted through advertising'.[953] For many years it has been accepted that advertising of tobacco products is the main reason why people keep using such harmful products. In 1992, De Chernatony argued that tobacco advertising is targeted to appeal to the consumer's 'rational and emotional needs', such as the prestige, style or social reassurance of potential or existing

[953] Gro Harlem Brundtland, Director General of the World Health Organization, 1999, http://kpi.ua/en/node/10593, accessed 4 July 2018.

smokers.[954] Today, the assumption that the consumption of tobacco products is heavily affected by advertising aiming to satisfy emotional needs has been proven. Studies conclude that tobacco products are generic products and consequently, without advertising, consumers would not have significant preference for one brand over another.[955] As a result, the importance of advertising in the promotion of tobacco products makes trade marks in the tobacco industry particularly important.

As the central element of all commercial communications, trade marks can communicate and store thoughts and feelings, and also create and represent goodwill.[956] As such, they are the most important tools for marketing practices in the tobacco industry.[957] For these reasons, in the tobacco industry, brand identity is indivisible from product identification,[958] and as a result, a tobacco company's overall value is mainly governed by the value of its trade mark.[959]

Moreover, and since the Tobacco Directive 2014 prohibits most advertising and promotion of tobacco products,[960] tobacco packaging is the final remaining outlet for advertising in the European Union.[961] Tobacco companies invest vast sums in tobacco

[954] L. De Chernatony et al., *Creating Powerful Brands* (Butterworth Heinemann, 1992) 20.
[955] D. Hammond et al., 'The Impact of Cigarette Package Design on Perceptions of Risk' *Journal of Public Health* Vol. 31 No. 3 345–353.
[956] See M. Alexandri, 'The International News Quasi-Property Paradigm and Trademark Incontestability: A Call for Rewriting the Lanham Act' 13 *Harv. J. L. & Tech.* 303 1999-2000, 355.
[957] Philip Morris Limited, 'Response to the Department of Health Consultation on the Future of Tobacco Control' September 2008, https://www.scribd.com/document/35165899/Philip-Morris-Limited-s-Response-to-the-Department-of-Health-s-Consultation-on-the-Future-of-Tobacco-Control , accessed 1 March 2018.
[958] M. S. Kennedy, 'Australia's Tobacco Plain Packaging Act: Convergence of Public Health and Global Trade' 39 *N.C.J. Int'l L. & Com. Reg.* 591 2013-2014, 604.
[959] S. F. Halabi, 'International Trademark Protection and Global Public Health: A Just-Compensation Regime for Expropriations and Regulatory Takings' 61 *Cath. U. L. Rev.* 325 2011-2012, 338.
[960] Directive 2014/40/EU of the European Parliament and of the Council of 3 April 2014 on the approximation of the laws, regulations and administrative provisions of the Member States concerning the manufacture, presentation and sale of tobacco and related products and repealing Directive 2001/37/EC (Tobacco Products Directive).
[961] Directorate-General for Health and Food Safety Health Programme, 'Study: An Assessment of Citizens' Exposure to Tobacco Marketing' Final report No EAHC/2013/HEALTH/10 No 2014 62 03 February 2016, 17.

packaging because is the 'primary vehicle' of marketing for tobacco products.[962] It is argued for example, that Philip Morris invests great amounts of money in promoting the Marlboro brand and as a result, the brand was valued at around $27 billion in 2012, ranking tenth amongst international brands.[963]

Trade marks and their use on product packaging are inevitably connected with any packaging-related budged.[964] As discussed previously, product packaging is a place to advertise, communicate information and persuade a consumer to purchase.[965] Product packaging is also the place where a large part of the development of goodwill takes place. For example, Coverdale argues that Marlboro's value is nothing more than its goodwill:

> 'Marlboro cigarettes may be perceived by consumers as uniquely embodying a certain virility, but this perception undoubtedly results almost entirely from Philip Morris's advertising and not from any physical quality of the cigarettes themselves. To that extent, the 'uniqueness' conveyed by the 'Marlboro' trademark is nothing more than the goodwill of the trademark holder.'[966]

This goodwill was built with careful promotional strategies and advertising and focused on the 'uniqueness' of the trade mark. The most famous Marlboro campaign centred on the rugged cowboy also known as the 'Marlboro Man'. It is argued that the consumers of Marlboro products choose this brand in order to assume the independence, self-

[962] Kennedy (n. 958) 602.
[963] *Ibid*, 604.
[964] See N. Ind, *The Corporate Brand* (NYUP, 1997) 13.
[965] R. L. Underwood et al., 'Is Your Package An Effective Communicator? A Normative Framework For Increasing The Communicative Competence Of Packaging' *Journal Of Marketing Communications* 4 207–220 1998, 208.
[966] J. F. Coverdale, 'Trademarks and Generic Words: An Effect on Competition Test' 51 *U. Chi. L. Rev.* 868 1984, 877.

confidence and masculinity promoted by the character.[967] All these associations can be captured by the trade mark, and as the symbols of goodwill, trade marks have the power to signal their reputation and attract consumers. For these reasons, tobacco plain packaging legislation was developed to limit or even eliminate the use of trade marks on tobacco products and as a result affect the uniqueness of all tobacco trade marks appearing on the tobacco packaging.

By taking into account the importance of tobacco trade marks for the tobacco industry, this thesis has focused on the way tobacco plain packaging legislation restricts the use of trade marks on the tobacco products. In particular, this thesis has examined the nature and details of the theoretical basis and the justification of tobacco plain packaging legislation. Furthermore, it has analysed how tobacco plain packaging legislation affects tobacco trade marks, as regulated by the European trade mark law system and its doctrines.

Chapter two explained the importance of tobacco control policies and summarised the main European tobacco control legislations. Furthermore, this chapter examined tobacco plain packaging legislation as the latest development in tobacco control by exploring the way its concept was created and by analysing the way it has been adopted in Australia and the UK. Furthermore, this chapter explained the disputes that unsuccessfully challenged the legality of tobacco plain packaging legislation. Finally, this chapter concluded that for the justification of tobacco plain packaging legislation, both the objectives of tobacco control policies and the reasoning behind trade mark law should be examined.

[967] De Chernatony (n. 954) 140. The irony lies in the fact that the original 'Marlboro Man', along with two other men who played the same role, died from smoking-related diseases, Associated Press in Los Angeles, 'Marlboro ad man Eric Lawson dies of chronic lung disease', 27th January 2014, The Guardian, https://www.theguardian.com/media/2014/jan/27/marlboro-ad-eric-lawson-dies-cigarettes-smoking, accessed 12 June 2018.

Chapter three focused on the potential impact of tobacco plain packaging legislation on tobacco trade marks as objects of property. It argued that the subject matter of protection of trade marks as objects of property lies in the communicative aspects of trade marks. Furthermore, this chapter identified Locke's labour theory as the most appropriate to justify trade marks as objects of property and, by drawing upon Maniatis' and Wilf's research, it concluded that the Lockean labour in relation to trade marks is ultimately the creation of goodwill.

Furthermore, this chapter defined the doctrine of goodwill and argued that goodwill forms the basis of trade mark property rights, as trade marks can both represent and generate goodwill. Following this, this chapter argued that the provisions of tobacco plain packaging legislation are likely to affect the value of goodwill represented by tobacco trade marks and consequently affect the value of tobacco trade marks as objects of property.

Chapter four examined the potential consequences tobacco plain packaging legislation may have on the essential function of trade marks. This chapter explored the development of the essential function by the Court of Justice of the European Union and analysed the important role that the essential function of trade marks plays in the formation of core European trade mark law principles. Furthermore, it argued that tobacco plain packaging legislation prevents tobacco trade marks that are not allowed to appear on the tobacco packaging from performing their essential function. However, it explained that this legislation allows the standardised 'brand and variant'[968] to indicate trade origin and hence preserves their source distinctiveness.

Chapter five examined the modern functions of trade marks and argued that they are the theoretical basis of tobacco plain packaging legislation. By taking into account the important role trade marks play on the tobacco packaging, this chapter explained that

[968] The 'brand and variant' refers to the two lines of information allowed by tobacco plain packaging legislation to be appeared on tobacco packaging. See Figure 1.

the development of tobacco plain packaging legislation derived from the trade mark law framework. In particular, this thesis asserted that the same framework that is used to safeguard and expand the trade mark proprietor's interests facilitates the restrictive provisions of tobacco plain packaging legislation.

This chapter further explained that the modern functions of trade marks, such as the advertising, investment and communication functions that have been recognised to provide protection beyond confusion, are also used to develop tobacco plain packaging legislation. It illustrated that this legislation affects the differential distinctiveness of tobacco trade marks and damages the individuality of tobacco packaging. For this reason, this thesis argued that the justification of tobacco plain packaging legislation should be understood to be the combination of tobacco control policy agendas with the rationale of trade mark law.

Chapter six explored the potential practical consequences on trade marks as marketing tools and as devices reducing search costs. This chapter underlined the importance of trade marks as the central elements of all commercial communications due to their ability to inform consumers, store information and advertise. It argued that tobacco plain packaging legislation reduces the appeal of tobacco packaging, eliminates the brand identity of tobacco products, limits the power of brands to become products themselves, and prevents inventive uses of brands on tobacco packaging. This chapter also examined the potential consequences tobacco plain packaging legislation may have on trade marks as a means of accountability and as devices reducing search costs. This chapter concluded that although tobacco plain packaging legislation is unlikely to affect search costs in the tobacco market in the short term, it is uncertain whether it will affect search costs in the long term.

In conclusion, this thesis argued that the modern functions of trade marks are the theoretical basis of tobacco plain packaging legislation and that the justification of this

legislation involves both the reasoning of tobacco control policy agendas and the rationale of trade mark law. Furthermore, it examined how tobacco plain packaging legislation affects tobacco trade marks as regulated by the European trade mark law system and its doctrines. Nonetheless, this thesis argues that the fact that tobacco plain packaging legislation affects tobacco trade marks in the ways explained above does not make it incompatible with European trade mark doctrine.

In this Discussion and Conclusions chapter, this thesis explains that trade mark law provisions are the result of a two-stage process. These two stages involve the attribution of a function to a type of trade mark and the balancing of the relevant interests. Therefore, although tobacco plain packaging distorts tobacco trade marks by expelling most of their distinguishing elements, it does so in order to eliminate misinformation in relation to the harmful effects of tobacco packaging. However, before analysing the importance of the balancing factors taken into account in the creation of trade mark law, the next section summarises the arguments deriving from tobacco control policy agendas for the justification of tobacco plain packaging legislation.

7.3 Justifying Tobacco Plain Packaging Legislation

This thesis argued that the justification for tobacco plain packaging legislation is the rationale of trade mark law coupled with the protection of public health as explained in tobacco control policies. On the one hand, the justifications of trade mark law highlight the importance of trade marks, their functions and their role in society. The study of the legal framework of trade mark law therefore provides outcomes regarding the nature of trade marks which are necessary for the justification of tobacco plain packaging. In particular, this thesis demonstrated that the arguments justifying the recognition of the modern functions of trade marks enabling the anti-dilution provisions also justify the recognition of the same functions for enacting tobacco plain packaging legislation.

On the other hand, public health policy agendas define the importance of tobacco control. As the leading global cause of preventable death, tobacco products and their promotion are heavily regulated. Tobacco plain packaging legislation is the latest development in tobacco control in the long battle to suppress the use of tobacco products while keeping them legal. In essence, by controlling the way word marks should appear on tobacco packaging and by prohibiting the use of any other trade marks, public health policy uses the trade mark law framework to expand tobacco control.

Both these elements are needed for the justification of tobacco plain packaging legislation. Without analysis of the contemporary nature of trade marks, plain packaging legislation can be accused of unjustifiable destruction of trade mark rights and the benefits they confer on the stability of the market and consumers. Similarly, without taking public health policy agendas into account, tobacco plain packaging legislation is an arbitrary piece of legislation attacking the tobacco industry without cause. Therefore, although tobacco plain packaging legislation derives from the trade mark law framework as discussed in the previous section, the reasoning offered by public health policy agendas is needed to empower its justification.

This section gives the final arguments regarding the justification of tobacco plain packaging legislation. Since the previous section emphasised the first element of the justification of tobacco plain packaging legislation in relation to the rationale of trade mark law, this section focuses on the second element of the justification; the importance of public health policy agendas of tobacco control. Firstly, it explains that since the promotion of tobacco products targets children, tobacco control policies should use all possible tools available, including the regulation of tobacco trade marks, to be as effective as possible. Secondly, it suggests that by being a lethal but legal product, tobacco is a unique type of product. For this reason, it examines whether it would be justifiable to apply the plain packaging concept to other products or services.

7.3.1 Tobacco Trade Marks and the Protection of Children

The trade marks on the packaging of products have the ability to perform their advertising function after the sale of a particular product. It is argued that tobacco plain packaging legislation destroys the post-sale advertisement function of trade marks and aims to properly inform consumers about the effects tobacco use has on health:

> 'It is in the display of trademarks in social settings where smokers show their packet to each other and non-smokers that the plain packaging legislation will have its biggest impact. No longer will the packaging be able to make a 'statement' about the image of the smoker other that a statement consistent with the essential nature of the product, namely, that it is addictive and extremely dangerous to health.'[969]

Moreover, by standardising word marks and removing all other trade marks or embellishments, tobacco plain packaging prevents trade marks from performing any of their modern functions. This is crucial in relation to the protection of children in particular. Cunningham argues that, for young smokers in particular, the displaying and sharing of packets of cigarettes in a social setting, once an important part of smoking as a social activity, is stripped of its trade mark-dependent positive associations and renders the plain tobacco packaging a 'badge' of shame.[970] It is therefore clear that tobacco trade marks serve as richly semiotic connotative badges.[971] The visibility of these badges every time the act of smoking takes place constitutes an endorsement.[972]

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[969] M. 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' in *Public Health and Plain Packaging of Cigarettes: Legal Issues* (Edward Elgar, 2012) 107.
[970] R. Cunningham et al., 'The Case for Plain Packaging' *Tobacco Control* 1995 4:80-86, 82.
[971] S. Chapman et al., *Removing the Emperor's Clothes: Australia and Tobacco Plain Packaging* (Sydney University Press, 2014) 160.
[972] D. Schneiderman, 'Nafta's Takings Rule: American Constitutionalism Comes to Canada' 46 *U. Toronto L.J.* 499 1996, 524.

Many children start smoking paying little mind to the brand they smoke, with brand loyalty occurring only post-addiction.[973] Although particular trade marks do not affect the purchasing decisions of children, it is argued that the use of tobacco trade marks in general makes tobacco products appear safe and sanctioned.[974] As a result, children may ignore the health hazards of smoking and see tobacco products as relaxants and stimulants.[975]

However, tobacco plain packaging makes the darker side of the product more visible.[976] All children born in a jurisdiction with tobacco plain packaging legislation in place (for example, Australia after 2012) will grow up in an environment where no tobacco products will be sold in appealing packaging crafted in line with extensive market research.[977] In such jurisdictions, it is expected that the effect of such packaging on children will be reduced, and as a consequence, smoking rates will be also reduced.[978]

This thesis does not suggest that tobacco plain packaging legislation is actually going to reduce smoking levels to zero. Just as people find ways to use illegally traded drugs, those who wish to use tobacco products will use them even without attractive packaging. It is further argued that even if such illegally traded drugs were legalised, they would never be allowed to be sold in appealing packaging.[979] Therefore, although

[973] The Standing Committee on Health, 'Towards Zero Consumption: Generic Packaging of Tobacco Products' Canada 31.10 1996, 62.
[974] *Ibid*.
[975] See P. Gendall et al., 'A Cross-Sectional Analysis Of How Young Adults Perceive Tobacco Brands: Implications For FCTC Signatories' *BMC Public Health* 2012 (12), 7.
[976] G. Howells, *The Tobacco Challenge – Legal Policy and Consumer Protection* (Ashgate, 2011), 29.
[977] Chapman (n. 971) 170.
[978] E. Bonadio, 'Plain Packaging of Tobacco Products Under EU Intellectual Property Law' *E.I.P.R.* 2012 34(9) 599-608, 599.
[979] E. Bonadio, 'Bans and Restrictions on the Use of Trademarks and Consumers' Health' *I.P.Q.* 2014 4 326-345, 340, 'If countries want to legalise the consumption of cannabis (and there are several governments which have already done so, or are currently discussing this legislative option), they may also want to protect consumers' health and thus prevent marijuana and hashish manufacturers and distributors from using colourful and eye-catching brands to promote their consumption. Should we allow cannabis growers

tobacco products may remain legal products, this does not mean that their promotion should be permitted and that they could be sold without text and images that warn potential users of the consequences of smoking.

By focusing on the effects on children and young people, tobacco control can be proven very effective.[980] Since tobacco products ultimately kill such a large proportion of their users, a constant stream of new young people must be drawn into physiological addiction to safeguard the business model upon which the tobacco industry depends.[981] Although tobacco companies claim that their advertising efforts attempt to induce existing smokers to change brands rather than attracting new, young customers, in reality they actively target them.[982] New generations of smokers are needed, and will always be needed, to replace those killed by their addiction.[983]

Therefore, an effective tobacco control policy with long term aims to reduce smoking to minimal levels must be focused on children and young people.[984] After all, the Tobacco Directive 2014 underlines that tobacco packaging misleads young people in particular,[985] and UK tobacco plain packaging regulations originate from the *Children and Families Act 2014*.

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and distributors to stop these countries pursuing this legitimate public interest by permitting them to claim a positive right to use trade marks? My answer is no.'

[980] See C. Moodie et al., 'Young People's Perceptions of Cigarette Packaging and Plain Packaging: An Online Survey' *Nicotine & Tobacco Research*, 14(1) 2012, 103.

[981] M. Davison et al., 'Rights, Privileges, Legitimate Interest, and Justifiability: Article 20 of TRIPS and Plain Packaging of Tobacco' 29 Am. U. Int'l L. Rev. 505 2013-2014, 513.

[982] Howells (n. 976) 69.

[983] *Ibid*, 208.

[984] A. H. Drummond Jr., 'Smoking and Kids: Why Are We Failing?' *The Clearing House* Vol. 42 No. 5 Jan. 1968 288-293, 293.

[985] Tobacco Products Directive (n. 960) Recital 27.

7.3.2 Tobacco is a Unique Product

Howells describes tobacco products as 'inherently dangerous but potentially pleasurable'.[986] However, it is argued that if tobacco products were newly 'invented', they would be immediately banned from sale.[987] The fact that tobacco products are dangerous, addictive and lethal but still legal makes them a 'unique consumer product'; as Howells points out, 'Any other product the state felt caused so many social ills would simply be banned. Culture prevents that from happening with tobacco, but makes its regulation and the processes surrounding it highly charged'.[988]

After the implementation of the Australian Plain Packaging Act 2011, a discussion began around whether the plain packaging concept could be applied to other products like alcohol, sugar or fast food.[989] However, no other legal product can be compared with tobacco products. Unhealthy food, sugar or alcohol do not significantly damage health if consumed in moderation.[990] The consumption of tobacco products, on the other hand, cannot be moderated in a way that does not affect health. Furthermore, the addictive nature of tobacco products renders 'moderate use' impossible both as a concept and in practice. For these reasons, the alcohol industry has publicly separated their position from the tobacco industry, with the chief executive of the Winemakers Federation of Australia announcing their objection to attempts to suggest that alcohol is comparable to tobacco or may be the next target of plain packaging.[991]

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[986] Howells (n. 976) 14.
[987] J. Liberman et al., 'Plain Tobacco Packaging in Australia: The Historical and Social Context' in *Public Health and Plain Packaging of Cigarettes: Legal Issues* (n. 969) 46.
[988] Howells (n. 976) 242.
[989] For example, see A. Alemanno, 'Nudging Smokers - The Behavioural Turn of Tobacco Risk Regulation' 3 *Eur. J. Risk Reg.* 32 2012 and St. Stern, O. Draudin acting as clients for Corrs Chambers Westgarth (tobacco, alcoholic beverages and snack food industry), 'Generic Packaging – Abridge (Over the Bodies of IP Rights) Too Far?' *Australian Intellectual Property Law Bulletin* 2011 (23) 147-148.
[990] See I. Carraneo et al., 'The Interface Between Nutrition and Health Claims and EU Trademark Law' in A. Alemanno et al., *The New Intellectual Property of Health Beyond Plain Packaging* (Edward Elgar Publishing, 2016) 138.
[991] Chapman (n. 971) 91.

The regulation of infant formula, sometimes perceived as a harmful alternative to breast-feeding, has also been compared to plain packaging.[992] In 2013, South Africa banned all advertising of infant formula products in order to discourage mothers from using it.[993] However, the use of trade marks on the packaging of such products is still permitted when in line with South African regulations which state that '[t]he company logo, brand name, and logos indicating endorsement by specific religious certifying organisations shall be permitted, provided they do not contain a picture of an infant, young child or other humanized figure.'[994]

This regulation can be considered heavy as in essence, it does not allow pictures of product-users to appear. It has been argued that before further standardisation of the packaging is applied to such products, South Africa could apply other measures.[995] For example, it could be more appropriate to require a prescription for purchase, so justifying a medical need for the use of the formula. By regulating the product gradually, South Africa would give the infant formula industry the 'opportunity to adapt in good time' as the tobacco industry adapted to tobacco plain packaging legislation.[996]

Restrictions on sale or packaging can be found for various products for health reasons. Examples of heavily regulated markets of products include pharmaceutical products, firearms, asbestos, alcohol and biological material.[997] Furthermore, the new trend of taxing sugar-sweetened drinks adds to the list of product regulations for the protection of public health.[998] These regulations may be the predecessors of stricter regulations

[992] The Anton Mostert Chair of Intellectual Property, 'Formula For Plain (Bland) Packaging', 3rd December 2013, Stellenbosch University, http://blogs.sun.ac.za/iplaw/2013/12/03/formula-for-plain-bland-packaging/, accessed 15 June 2018.
[993] Regulations Relating to Foodstuffs for Infants and Young Children, Government Notice, Department of Health, R 991 in GG 35941 of 6 December 2012, South Africa.
[994] *Ibid*, 2(3).
[995] see L. Mills, 'The Regulations Relating to Foodstuffs for Infants and Young Children (R 991): A Formula for the Promotion of Breastfeeding or Censorship of Commercial Speech?' *PER/PELJ* 2014(17)1, http://dx.doi.org/10.4314/pelj.v17i1.06, accessed 13 June 2018.
[996] Per Geelhoed AG, *R. V Secretary of State for Health,* C-491/01 [2003] 1 C.M.L.R. 14, A74.
[997] Chapman (n. 971) 152.
[998] See A. Haines, 'Sugar Tax: The Winners and Losers' *International Tax Review* 1, Apr. 10, 2017.

and therefore, in the future, we may see the application of the plain packaging concept to these products.[999] However, as of today, tobacco is considered to be a unique product since it damages health to a greater degree than any other, not only addicting and killing its users but also affecting the health of non-smokers inhaling its smoke.

In conclusion, both the fact that the promotion of tobacco products used to target children and the fact that tobacco is considered to be a unique product are vital arguments for the justification of tobacco plain packaging legislation. These arguments, in combination with the analysis of the interaction of the trade mark law framework with tobacco plain packaging legislation, constitute the conclusion on what the theoretical basis and the justification of tobacco plain packaging legislation in the European Union. Therefore, the next section is focused on the final research question and analyses the universal coherent process under which European trade mark laws are developed.

7.4 Tobacco Plain Packaging Legislation and its Impact on our Understanding of the Development of Trade Mark Law Provisions

Although tobacco plain packaging legislation is fairly new, it has the power to 'fundamentally affect our understanding of trade mark law as it applies to all products and services'.[1000] As this thesis observes, tobacco plain packaging legislation highlights the fact that legislators can take into account the same functions of trade marks to preserve different interests. For example, although both tobacco plain packaging legislation and the anti-dilution provision are arguably based on the same functions of trade marks, they preserve different interests. In both examples of these legislations, the legislator attributes to the trade marks the modern functions of trade marks.

[999] See also T. Bollard, 'Effects Of Plain Packaging, Warning Labels, And Taxes On Young People's Predicted Sugar-Sweetened Beverage Preferences: An Experimental Study' *International Journal of Behavioral Nutrition and Physical Activity* 2016 13 95.

[1000] P. Johnson, 'Trade Marks Without A Brand: The Proposals on "Plain Packaging" of Tobacco Products' *E.I.P.R.* 2012 34(7) 461-470, 461.

However, although in the case of the anti-dilution provision they aim to preserve these functions in order to protect trade mark proprietors' interests, in the case of tobacco plain packaging legislation they aim to destroy them in order to protect public health. As a result, as analysed in chapter five, this may lead to contradictory consequences to trade mark proprietors whose trade marks have reputation and they are used on tobacco products. These particular trade mark proprietors can protect their trade mark rights against dilution while at the same time, the same rights are curtailed by the standardisation requirements of tobacco plain packaging legislation.[1001] The conflicting results of such cases create the need for the prescription of the process, which as a consistent model, answers the question: *How is trade mark law developed?*

This section uses tobacco plain packaging legislation as an analytical tool in order to redefine our understanding of the process behind the development of trade mark law. In essence, this thesis illustrates that the development of trade mark law is a two-stage process. The first is to identify one function of trade marks and attribute this function to a particular type of trade mark. The particular type of trade marks can be either a category defined by a trade mark law doctrine (i.e. trade marks with reputation) or a category defined by the type of products or services the trade marks are registered for (i.e. trade marks registered for tobacco products). The second stage is to give weight to balancing factors such as the smooth running of the marketplace, the protection of the rights of the trade mark proprietor, the protection of the consumer or the preservation of public health. The examination of tobacco plain packaging legislation highlighted the important role both the trade mark functions and the balancing interests play for the creation of trade mark law. Accordingly, the particular trade mark function forms the first stage of this process and the balancing interests form the second.

[1001] See section 5.4.

The introduction of tobacco plain packaging legislation, as seen in light of this two-stage process, can be used to demonstrate coherency within trade mark doctrine. It puts forward the promotion of public health as an interest that should be balanced against other interests and be taken into account for the creation of trade mark law. The fact that this interest comes into conflict with the interests of tobacco trade mark proprietors provides an excellent opportunity for the discussion of the creation of trade mark law.

Accordingly, this section explains the two-stage process for the development of trade mark law in the light of both the functions of trade marks and the interests at play. The first stage involves the identification of one function of trade marks and the attribution of this function to a particular type of trade marks. In the second stage, a particular interest is taken into account to produce the desirable result. Table 1 provides nine provisions of trade mark law as examples that explain how this two-stage process works. The steps of the model of creation of trade mark law are examined in turn.

Table 1: The Two-Stage Process for the Creation of Trade Mark Law

(Nine examples from EU Directives that illustrate that the creation of trade mark law follows a two-stages process; the attribution of a function to a type of trade marks and the encompassment of a particular interest.)

EX.	STAGE 1		STAGE 2	RESULT
	Type of trade marks	Function attribu-ted to trade marks	Interest(s) taken into account	Law created
1	All trade marks	Trade Origin	Smooth functioning of the marketplace	Distinctive character requirement for registration (Trade Marks Directive Art. 3(1)(b))[1002]
2	All trade marks	Trade Origin	Protection of the rights of the trade mark proprietor and the protection of the consumers	Proceedings against uses in the course of trade of a sign that cause confusion with a trade mark (Trade Marks Directive Art. 5(1)(b))
3	Trade marks of tobacco products	Trade Origin	Protection of the rights of the trade mark proprietor and the protection of the consumers	Trade marks indicated on tobacco packaging in a standardised way (Tobacco Products Directive Art. 24(2))[1003]
4	All trade marks	Trade Origin	The protection of the rights of the trade mark proprietor	The trade mark proprietor can request from the publisher of a dictionary to indicate that the particular word or phrase is a registered trade mark (Trade Marks Directive 2015 Art. 12)[1004]

[1002] Directive 2008/95/EC of the European Parliament and the Council of 22 October 2008 to approximate the laws of the Member States relating to trade marks (Trade Marks Directive).
[1003] Tobacco Products Directive (n. 960).
[1004] Directive (EU) 2015/2436 of the European Parliament and of The Council of 16 December 2015 to approximate the laws of the Member States relating to trade marks (Trade Marks Directive 2015).

Table 1 (continued)

5	All trade marks	Commu-nication	The protection of the rights of the trade mark proprietor	Proceedings against uses in the course of trade of a sign which is identical with the trade mark and it is used in relation to goods or services which are identical with those for which the trade mark is registered (Trade Marks Directive Art. 5(1)(a))
6	Trade marks with reputa-tion	Invest-ment	The protection of the rights of the proprietor of a trade mark with a reputation	Proceedings against uses in the course of trade of a sign that tarnishes the repute of the trade mark (Trade Marks Directive Art. 5(2))
7	Trade marks of tobacco products	Adverti-sing	Protection of public health	Member States are allowed to prohibit the use of any figurative trade marks on the packaging of tobacco products (Tobacco Products Directive Art. 24(2))
8	All trade marks	Property	The exploitation of a trade mark	Trade marks are objects of property (Trade Marks Directive 2015 Section 5)
9	All trade marks	Appeal	The protection of the rights of the trade mark proprietor	Comparative advertising shall not discredit or denigrate the competitor's trade marks (Comparative Advertising Directive Art. 4(d))[1005]

[1005] Directive 2006/114/EC of the European Parliament and of the Council of 12 December 2006 concerning misleading and comparative advertising.

7.4.1 Stage 1: The Attribution of a Function to a Particular Type of Trade Marks

7.4.1.1 Types of Trade Marks

The first stage for the creation of a provision of trade mark law requires the legislator to identify a particular type of trade mark in order to attribute a particular function. For the vast majority of trade mark law provisions a function is attributed to *all* trade marks. For example, all trade marks share the same method for registration,[1006] and can equally enjoy the confusion-based infringement provision.[1007]

However, there are cases where particular provisions of trade mark law are directed at specific types of trade marks. As this chapter examines, this is the case for both the anti-dilution provision and tobacco plain packaging legislation. Anti-dilution is specifically directed at trade marks with reputation (Table 1, example 6). However, tobacco plain packaging legislation solely affects trade marks of tobacco products (Table 1, examples 3 and 7).

Consequently, it is evident that for this first stage of identifying a particular type of trade mark the legislator has the complete freedom to identify any type of trade mark. The particular type of trade mark can be defined by a legal doctrine (e.g. trade marks with reputation), in relation to the product or service the trade mark is registered for (e.g. trade marks of tobacco products), or even in relation to all trade marks. Having identified a particular type of trade mark, the legislator must then attribute to this type of trade mark a particular function.

[1006] For example, under Article 3(1)(a) of the Trade Marks Directive (n. 1002), no signs which cannot constitute a trade mark can be registered.
[1007] Under Article 5(1)(b) of the Trade Marks Directive (n. 1002).

7.4.1.2 Functions Attributed to Trade Marks

After identifying a particular type of trade mark, the legislator attributes a function to it. As is highlighted by the Commission, '[a]ny regulation of trade mark law depends ultimately on the functions which are attributed to the trade mark.'[1008] In other words, the process of function attribution to trade marks plays a vital role in the creation of trade mark law. Since trade marks can function in numerous ways, it is crucial to thoroughly examine the function attributed to trade marks for a particular provision of trade mark law.

As explained in chapter four, there are two categories of functions. The first category consists exclusively of the identification of origin function of trade marks; the essential function. The essential function is the reason for core trade mark law provisions such as registration of trade marks and confusion-based infringement provision (Table 1, examples 1, 2,). Moreover, the essential function also drives more specific trade mark law provisions such as the preservation of the indication of trade origin of tobacco products in a standardised way (Table 1, example 3) and the protection against generic uses of trade marks (Table 1, example 4).

The second category of functions includes the modern functions of trade marks, such as the investment, advertising and communication functions. In the same way that the essential function plays a role in the creation of trade mark law provisions, these modern functions are responsible for trade mark law provisions as well. For example, the investment function protects against uses of a sign that tarnish the repute of a trade mark (Table 1, example 6) and the advertising function led to the prohibition of the use of any figurative trade marks on the packaging of tobacco products (Table 1, example 7).

[1008] Commission of the European Communities, 'Memorandum on the Creation of an EEC Trade Mark' *Bulletin of the European Communities* Supplement 8/76 July 1976, 68.

Chapters four and five are dedicated for the analysis of the functions of trade marks. Chapter four explained the vital role of the essential function of trade marks and underlined that it is the cornerstone of core trade mark law principles. Furthermore, chapter five examined the modern functions of trade marks and how their recognition is important for the development of modern trade mark law principles. With the attribution of a particular function to a particular type of trade mark, the first stage of the process of the creation of a provision of trade mark law is completed. In the second stage, the legislator must identify and take into account particular interests.

7.4.2 Stage 2: The Interests Taken Into Account

The second and final stage of the process of the creation of trade mark law provisions is the identification of the interests which the legislator takes into account. Simon Fhima suggests that the procedure for identifying the interests taken into account should be detached from the process of attributing functions to trade marks: 'the fact that trade marks are capable of conveying a range of different types of information doesn't mean that the ability of marks to communicate all those types of information should be legally protected.'[1009]

As explained previously, trade mark law has never served the interests of 'one master'.[1010] Therefore, in the process of the creation of trade mark law, the legislator can choose multiple interests to take into account. For example, for some provisions both the protection of the rights of the trade mark proprietor and the protection of the consumers are taken into account simultaneously (Table 1, examples, 2, 3). Further examples of interests taken into account for the creation of trade mark provisions are

[1009] I. Simon Fhima, *The Functions of Trade Marks and their Role in Infringement Cases – What Can the EU and Japan Learn from others' experiences?* (Institute of Intellectual Property, 2008) 3.
[1010] C. Ramirez-Montes, 'A Re-Examination of the Original Foundations of Anglo-American Trademark Law' 14 *Marq. Intell. Prop. L. Rev.* 91 2010, 164.

the smooth functioning of the marketplace (Table 1, example 1) and the protection of the rights of the proprietor of a trade mark with reputation (Table 1, example 6).

The balancing of interests that creates trade mark law derives from public policy which is itself shaped by the socially-decreed aims it endeavours to meet.[1011] In other words, trade mark law does not exist, nor can it be applied, in a vacuum.[1012] As is explained in this thesis, there is no single, absolute and overriding interest taken into account for the creation of trade mark law.[1013] Without an absolute master to serve, trade mark law is essentially balancing public and private interests. This derives from the nature of trade marks themselves, which Hinchliffe claims 'embody an intrinsic dichotomy between private and public interests.'[1014]

As is examined in this thesis, the public is primarily concerned with trade marks as guaranties of quality and not as indicators of origin, as such.[1015] Therefore, trade mark law has the potential to encourage the production of higher quality products.[1016] As discussed in chapter six, Landes and Posner propose that trade mark law enhances the interests of the consumer by reducing consumer search costs. They explain that trade marks have a 'self-enforcing feature', in the sense that the very existence of the trade mark and its legal protection facilitates the production of higher quality products.[1017] As a result, while reducing search costs, trade mark law incentivises investment in quality goods,[1018] and gives trade mark proprietors a reason to maintain consistent quality.[1019]

[1011] S. Maniatis, 'Trade mark rights – A Justification Based on Property' *I.P.Q.* 2002 2, 168.
[1012] See J. Tarawneh, 'A New Classification for Trade Mark Functions' *I.P.Q.* 2016 4 352-370, 367.
[1013] Ramirez-Montes (n. 1010) 151.
[1014] S. A. Hinchliffe, 'Comparing Apples and Oranges in Trademark Law: Challenging the International and Constitutional Validity of Plain Packaging of Tobacco Products' 13 *J. Marshall Rev. Intell. Prop. L iv* 2013-2014, 138.
[1015] F. I. Schechter, *The Historical Foundations of the Law Relating to Trade-Marks* (Columbia University Press, 1925) 166.
[1016] D. M. McClure, 'Trademarks and Unfair Competition: A Critical History of Legal Thought' 69 *Trademark Rep.* 305 1979, 347.
[1017] W. M. Landes et al., 'Trademark Law: An Economic Perspective' 30 *J.L. & Econ.* 265 1987, 270.
[1018] *Ibid,* 269.
[1019] W. M. Landes et al., 'The Economics of Trademark Law' 78 *Trademark Rep.* 267 1988, 279.

Hence, it is argued that the private interests trade mark law takes into account are encompassed 'on a calculation that they in turn serve public interests'.[1020] By giving the status of property to trade marks, trade mark law becomes 'a device that snookers merchants into policing each other's abuses' for the ultimate protection of consumers against deception.[1021] However, trade mark proprietors naturally endeavour to increase the remit of trade mark rights in order to capitalise on their investment in them.[1022] Such strengthened trade mark protection may bring harmful consequences to consumers if it creates product monopolies. As such, it goes without saying that trade marks are powerful tools in the economy,[1023] and as explained in this thesis, trade marks are accepted as '*economically beneficial* monopolies.'[1024]

Besides the fact that trade mark proprietors take advantage of trade mark law to enhance their interests, there is no doubt that consumers are equally important marketplace actors.[1025] Consumers give life to trade marks by investing additional meaning in new or existing words or symbols.[1026] They also shape goodwill since 'the democracy in trade-marks is like democracy in the individual; it makes effective what people think of them.'[1027] The organic relationship of consumers and trade marks explains why their interests in trade marks are multileveled. Trade marks allow consumers to identify and pursue specific likes and dislikes,[1028] and constitute what

[1020] R. M. Sherwood, 'Intellectual Property and Economic Development' *Westview Special Studies in Science, Technology, and Public Policy* 1990, 37.
[1021] J. Litman, 'Breakfast with Batman: The Public Interest in the Advertising Age' 108 *Yale L.J.* 1717 1998-1999, 1721.
[1022] S. W. Halpern, 'Trafficking in Trademarks: Setting Boundaries for the Uneasy Relationship between 'Property Rights' and Trademark and Publicity Rights' 58 *DePaul L. Rev.* 1013 2008, 1019.
[1023] McClure (n. 1016) 322.
[1024] S. A. Rose, 'Will Atlas Shrug? Dilution Protection for 'Famous' Trademarks: Anti-Competitive 'Monopoly' or Earned 'Property' Right?' 47 *Fla. L. Rev.* 653 1995, 671, emphasis added.
[1025] M. P. McKenna, 'A consumer Decision-Making theory of Trademark Law' 98 *Va. L. Rev.* 67 2012, 111.
[1026] Landes (n. 1017) 271.
[1027] E. S. Rogers, 'Freedom and Trademarks' 34 *Trademark Rep.* 55 1944, 58.
[1028] G. S. Lunney, 'Trademark Monopolies' 48 *Emory L. J.* 367 1999, 432.

Gerhardt deems 'repositories that collectively amount to tremendous value and cultural significance filled with contributions from many voices'.[1029]

The second stage of the development of trade mark law is the one that allows different doctrines to exist side-by-side.[1030] In other words, it enables trade mark law to simultaneously serve interests which differ, and may even appear conflicting.[1031] By protecting both private and public interests, trade mark law is deemed to facilitate 'the ultimate win-win'.[1032] This can be illustrated by taking tobacco plain packaging legislation into consideration in relation to the interests it serves.

Within the array of interests legislators take into account for the creation of trade mark law, tobacco plain packaging legislation added the interest of the protection of public health. Under Article 24(2) of the current Tobacco Products Directive,[1033] EU Member States can proceed with tobacco plain packaging legislation when this is justified on the grounds of public health.[1034] Also, according to Section 94 of the UK Children and Families Act 2014,[1035] trade marks on tobacco products may be prohibited or standardised for the purposes of the promotion of public health. This demonstrates that the legislator can take into account any interest beyond the traditional interests trade marks used to serve, i.e. the interests of trade mark proprietors, consumers and competitors.

In conclusion, this thesis argues that the creation of trade mark law provisions involve a two-stage process. The fact that both tobacco plain packaging legislation and the anti-dilution provision have the modern functions of trade marks as their basis yet result in conflicting outcomes highlights one important element of this process: that the interests

[1029] D. R. Gerhardt, 'Consumer Investment in Trademarks' 88 *N.C. L. Rev.* 427 2009-2010, 464.
[1030] McClure (n. 1016) 308.
[1031] Ramirez-Montes (n. 1010) 164.
[1032] McKenna (n. 1025) 77.
[1033] Tobacco Products Directive (n. 960).
[1034] *Ibid*.
[1035] Children and Families Act 2014.

taken into account for the creation of trade mark law provisions are as important as the functions attributed to trade marks. As a result, any past and future trade mark law provision must be understood as the result of the combination of the function attributed to a particular type of trade mark and the interest that has been taken into account.

7.5 Concluding Remarks

As this thesis proposes, the theoretical basis of tobacco plain packaging legislation exists under the modern functions of trade marks. Before the adoption of tobacco plain packaging legislation the recognition of the modern functions of trade marks resulted in the strengthening of the power of attraction of trade marks and enhancement of the interests of trade mark proprietors. However, tobacco plain packaging legislation can be seen to have the opposite impact on tobacco trade mark proprietors. Namely, it reduces the power of attraction of tobacco trade marks and allows the warnings appearing on tobacco packaging transmit undistorted. The selling power of trade marks and the strong connection they can create with the consumers, in combination with the growing need to defend public health from the use of tobacco products, resulted in the creation of this legislation. As a result, this thesis argues that the justification of tobacco plain packaging legislation is found in the combination of the rationale of trade mark law and the protection of public health.

Furthermore, since tobacco plain packaging legislation affects the functions of tobacco trade marks and consequently the value of tobacco trade marks, it is considered a controversial piece of legislation. However, the provisions of tobacco plain packaging should be understood to be in line with the way trade mark law provisions are developed. According to this thesis, the development of trade mark law provisions in general, and tobacco plain packaging legislation in particular, take into account the public interests at play.

This thesis constitutes the first step for further research on how trade mark law can be used to regulate different products or services. In order to do this, the research must incorporate the two-stage process for the development of trade mark law proposed in this thesis and examine its two elements. The first is to analyse the functions that can be attributed to the trade marks of the particular industry. The second is to identify the relevant interests at play in relation to the particular industry and how these can be balanced for the desirable outcome.

This underlines the fact that, although it might be considered a restrictive and controversial piece of legislation, tobacco plain packaging legislation provides us with the opportunity to understand the power of trade mark law. In essence, the case of tobacco plain packaging legislation illustrates that the regulation of tobacco trade marks has equal power to the regulation of the tobacco products themselves. As a result, this thesis advances the argument that trade mark law has great potential to constitute a crucial tool for the wider sphere of future public policy.

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Appendix

Figure 1: UK Tobacco Plain Packaging Sample

(Action of Smoking and Health, 'All tobacco packs on sale will be in standardised "plain" packs from 20th May 2017', http://ash.org.uk/media-and-news/press-releases-media-and-news/all-tobacco-packs-on-sale-will-be-in-standardised-plain-packs-from-20th-may-2017/, accessed 13 March 2018.)

Figure 2: Combined Health Warnings for Tobacco Products for Smoking

(Commission Delegated Directive 2014/109/EU of 10 October 2014 amending Annex II to Directive 2014/40/EU of the European Parliament and of the Council by establishing the library of picture warnings to be used on tobacco products, Annex.)

Figure 2 (continued)

Figure 3: Davidoff Registered Trade Mark at the European Union Intellectual Property Office

(Trade mark name: Davidoff Classic, Application number: 009259557, Applicant name: Davidoff & Cie SA, Application date: 20-7-2010, Trade mark status: Registered, Trade mark office: EM, Nice class: 34, https://www.tmdn.org/tmview/trademark/image/EM500000009259557, accessed 22 March 2018.)

Figure 4: L&M Registered Trade Mark at the European Union Intellectual Property Office

(Trade mark name: L&M, Application number: 003417995, Applicant name: PHILIP MORRIS PRODUCTS S.A., Application date: 20-10-2003, Trade mark status: Registered, Trade mark office: EM, Nice class: 34, https://www.tmdn.org/tmview/trademark/image/EM500000003417995, accessed 22 March 2018.)

Figure 5: Camel Registered Trade Mark at the European Union Intellectual Property Office

(Trade mark name: CAMEL SINCE 1913, Application number: 003434859, Applicant name: Japan Tobacco Inc., Application date: 23-10-2003, Trade mark status: Registered, Trade mark office: EM, Nice class: 34, https://www.tmdn.org/tmview/trademark/image/EM500000003434859, accessed 22 March 2018.)

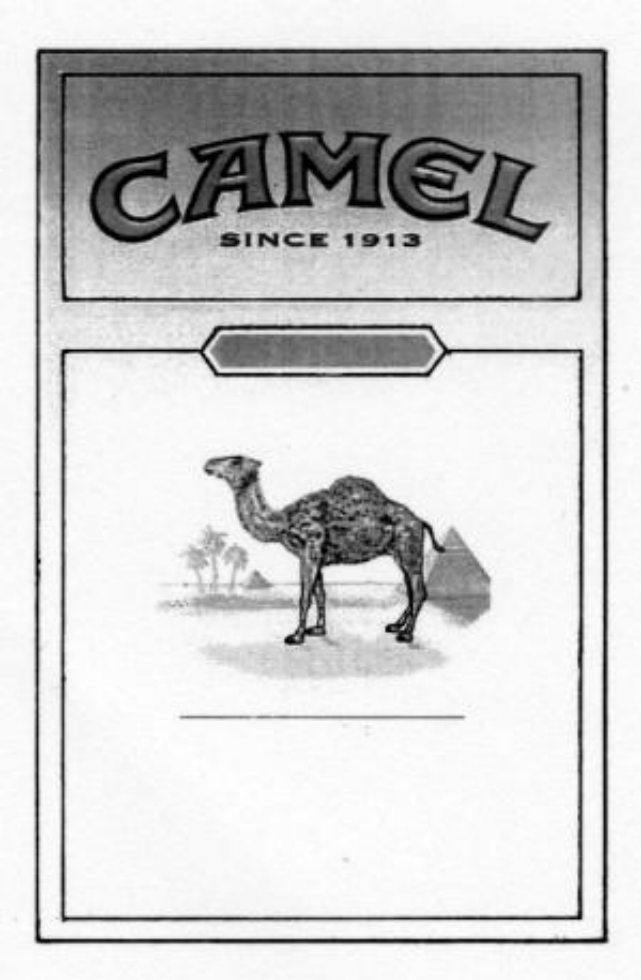

Figure 6: Marlboro Registered Trade Mark at the European Union Intellectual Property Office

(Trade mark name: Marlboro, Application number: 000778191, Applicant name: Philip Morris Brands Sàrl, Application date: 23-3-1998, Trade mark status: Registered, Trade mark office: EM, Nice class: 34, https://www.tmdn.org/tmview/trademark/image/EM500000000778191, accessed 22 March 2018.)

Figure 7: Examples of Advertisements Aiming to Prevent the Generic Use of Trade Marks

(https://www.theatlantic.com/business/archive/2014/09/kleenex-is-a-registered-trademark-and-other-appeals-to-journalists/380733/, accessed 22 March 2018.)