



European Communities Trade Mark Association

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“Trade marks - Governmental Regulatory Instruments?”

Dr. Max Oker-Blom, Adjunct Professor, Hanken School of Economics, ECTA Secretary
General, FI
Ewa Grabiak, Legal Coordinator, ECTA, PL

1. Modern consumer markets

The globalization of the market has increased the competition between companies and made trade marks an essential tool for them to attract customers. For modern consumer markets trade marks are thus indispensable, as their main role is to allow the consumer to identify the commercial source or origin of products or services. Their major merit is to allow the consumer to locate the relevant goods or services without spending excessive time examining a range of products in order to find the right ones. Therefore, trade marks are an important factor in lowering search costs and saving consumers' money. This also concerns business to business transactions, even if enterprises can usually afford to, and in some cases should, spend more time investigating various alternatives, particularly when it comes to capital goods. Strong and distinguishable trade marks make the markets more efficient and competitive.

2. Plain packaging

This development has naturally not gone unnoticed by the public sector. In Australia, the Tobacco Plain Packaging Act¹ has been adopted, and will come into force in the beginning of December this year, according to which all figurative trade marks, logos, colors or a combination of them will be prohibited on cigarette packages. The manufacturer will thus be allowed to print on the package only brand and product names, the quantity of the product, health warnings and other mandatory information, such as a list of ingredients. The argument is that by making the package less attractive particularly young people will be discouraged from starting to smoke and possibly existing smokers from continuing. This has been contested by the tobacco industry naturally, but also by independent scholars. And the truth is that there is no empirical evidence, since there has not been a possibility to test it yet.

The tobacco companies have also argued that the Act amounted to the removal of their intellectual property rights in a manner contrary to section 51(xxxi) of the Australian

¹ Tobacco Plain Packaging Act 2011 may be found here: <http://www.comlaw.gov.au/Details/C2011A00148>



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Constitution², which authorizes the Parliament to pass legislation relating to "*the acquisition of property on just terms from any State or person for any purpose in respect of which the Parliament has power to make laws.*" On 15 August, the Australian High Court ruled in favor of the government in the challenges brought by tobacco companies finding that the plain packaging legislation did not violate the Australian Constitution³.

However, the center of the issue, we think, is not the attractiveness of the package. The real issue is that the governments requiring health warnings on the package are using the trade mark as a tool to communicate with the relevant consumers. The communication device or channel it has in the first place, against a fee, secured for a private company is now being used by the government itself without any compensation to the proprietor of the relevant trade mark.

It can be mentioned that the US Court of Appeals in the District of Columbia on 24⁴ August this year came to a different conclusion, i.e. that the Food and Drug Administration (FDA) did not have a right to apply health warnings on cigarette packages. The case at hand concerned freedom of speech and the Court of Appeals confirmed the conclusion drawn by the Federal Trial Court that 50/50 graphical warnings were unconstitutional. It is interesting to note, however, that the argumentation, among other things, concerned whether or not the Government could expropriate private property for its policy views and "nudge" people into better behavior and the answer was no. The Court continued "*Although the Government may engage in advocacy using its own voice, it may not force others, such as Plaintiffs, to serve as an unwilling mouthpiece.*" At least for the time being, before a possible Supreme Court decision that is, it is in other words not possible in the US to use a trade mark as a communication device for Government purposes.

It is true that health warnings are used in Europe, but this is not the essence. The relevant thing is that a trade mark in the US is concerned private property, which cannot be used by the Government for its own purposes. The existence of health warnings on cigarette packages in Europe does in other words not constitute an automatic consent to use the whole trade mark for Government purposes.

3. Trademarks a negative right only?

Following the traditional reasoning, trade marks are negative rights since they give the proprietor a right to exclude competitors from using the same or a similar mark for identical or similar goods. And in the case of a mark with a reputation, or a well-known mark, also regarding other products under certain circumstances. According to this line of thought, a trade mark holder cannot stop the government to use its mark, or ask for compensation, should this be the case.

² Commonwealth of Australia Constitution Act is available here: <http://www.comlaw.gov.au/Details/C2004C00469>

³ The summary of the judgment is available under the following link : <http://www.hcourt.gov.au/assets/publications/judgment-summaries/2012/hca30-2012-08-15.pdf>

The Court has not yet released its reasons for the decision; the full judgment will be published at a later date.

⁴ The decision of the Court of Appeals (No. 11-5332) may be found here: [http://www.cadc.uscourts.gov/internet/opinions.nsf/4C0311C78EB11C5785257A64004EBFB5/\\$file/11-5332-1391191.pdf](http://www.cadc.uscourts.gov/internet/opinions.nsf/4C0311C78EB11C5785257A64004EBFB5/$file/11-5332-1391191.pdf)

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This has been contested lately, however. It is obvious that the right or very freedom to use a trade mark in the first place is a necessary precondition for being able to exclude others. Should there not be such a positive right there would be no meaning in having a negative right. In other words, the existence of negative right is inextricably related to the existence of the positive right. This leads to the conclusion that in the plain packaging case, at least compensation should be paid to the industry being deprived of the free and complete use of its trade mark rights.

4. Mixed signals

In this context the role played by the government seems to be difficult to determine. By adopting a plain packaging approach it seems as though governments wish to achieve various goals.

On one hand, it is not of government's interest to forbid tobacco sales altogether, since this would mean a fair amount of lost revenue in the form of taxes.

On the other, plain packaging does not guarantee reduced smoking. There are in addition several examples of prohibitions having the adverse effect, i.e. increasing sales, as in the case concerning alcohol, and consequently costs for the executive branch when you try to uphold the rules. At the same time governments want to demonstrate its activeness, and the use of trade marks is a visible way of showing that measures are taken. Although information campaigns directed towards young people, or price increases, might be more effective to decrease smoking they do not reward politicians as much as the possibility to point at particular legislative measures.

The problem with legislation having several or unclear aims, however, is that it does not achieve the desired goals, but is on the contrary creating confusion among consumers and in the market place. This cannot of course be the purpose of any legislation.

This leads us to the conclusion that trade marks should thus be used for what they are originally meant for, i.e. distinguishing one competing product or service from another.