

Letter dated:
1 December 2010

From:
Ministry of Economic Development
Department for Enterprise and Internationalisation
Directorate-General for Combating Counterfeiting
Italian Patent and Trademark Office
Division IV – Policies for Combating Counterfeiting
Italy

To:
European Commission
DG SANCO B 232
DG Health and Consumers, Unit C6 – Health Law and International
B-1049 Brussels
Belgium

Subject: Public consultation on the possible revision of the Tobacco Products Directive 2001/37/EC

Ref.: 179751

Dear Sirs,

Below please find our comments and proposals on sections 3 and 6 of your public consultation, in connection with the mission of the Directorate-General for the Combating Counterfeiting – Italian Patent and Trademark Office. Comments are in Italian, as expected, and have already been submitted via the on-line form available on your website.

3. Consumer information

3.3. Questions

1) Do you agree with the definition of the problem? If not, please provide an explanation.

This section covers a very broad range of arguments, some of which lie outside the scope of this Directorate-General's institutional competencies. In particular, we have no administrative competencies – and consequently, no useful information – relating to the usefulness, effectiveness and compatibility with the functioning of the internal market of picture warnings, printing the levels of TNCO on packets, and placing warnings on water pipes.

To the contrary, we would like to express some of our reflections on the question of “plain packaging”, not in terms of whether or not it would be an effective disincentive to smoking (which is under the purview of the Ministry of Health), but rather, with strict regard to issues surrounding industrial property rights.

With regard to this aspect, we are of the opinion that the problem is properly defined in technical terms but the definition is too broad with regard to the distribution of competences within the Italian State.

2) In your view, which option addresses the problem most effectively?

In light of our response to the previous question and the considerations set out below, we feel that the “**no change**” option is preferable.

This Directorate-General is not responsible for the matters described in Option 2, and will therefore restrict its comments to the proposals in Option 3.

Generic packaging is intended to present tobacco products for sale in a way that standardises the supply on the assumption that this would be a disincentive to consumption.

In sum, manufacturers would be required to use packages that “would be plain coloured (such as white, grey or plain cardboard)”, and “size and shape [...] could also be regulated”, with the only remaining possibility being “to print brand and product names, the quantity of the product, health warnings and other mandatory information such as security markings”.

Apart from other, nonetheless relevant, implications for the market and the related tax revenue, we would like to point out that, insofar as our area of responsibility is concerned, such a measure would have detrimental effects on counterfeiting and the use of trademarks.

With regard to the first aspect, it is clear that products which must be generically packaged are more exposed to counterfeiting than products in packages which producers have taken care to make distinctive through the use of colour, embossing, quality and presentation. Reproducing such characteristic elements requires access to technology, products and manufacturing experience which is not easy to acquire, while uniform and generic packaging makes it technically far easier for counterfeiters to produce fake cigarette packaging. Furthermore, the proposed measure might have significant distortionary effects on the market for tobacco products, especially as regards smuggling from neighbouring countries where manufacturers are not under an obligation to use generic packaging. Their product would benefit from an unexpected competitive advantage stemming from consumers’ familiarity with the traditional packaging and, together with counterfeit products (generic and/or conventional), could be more tempting to vulnerable groups of the population (e.g. minors) who are shut out from the regular market for their own protection. The Commission would appear to be aware of this possibility, or at least the competitive dynamic underlying it, when it refers to the circumstances where the various rules on labelling which are currently in force at Community level have an impact on the functioning of the internal market “as well as on consumers’ awareness and consequently, the impact in their smoking behaviour”. The difference in packaging compared to that used in neighbouring, non-EU, countries would be even more important if generic packaging were adopted within the EU while worrying phenomena such as cross-border trading, which Italy is particularly affected by, remained constant.

With regard to the use of the trademark, if the proposal were adopted, a sort of “expropriation” of the trademark by economic operators in the sector might occur. This is not covered by the Italian Industrial Property Code (Legislative Decree No 30/2005), and Community rules and international agreements on this subject might also be violated.

Such a measure would also have significant negative consequences for companies in economic terms, and a detrimental knock-on effect on the maintenance of the system and on economic development and employment, considering the enormous significance of industrial property rights in company’s assets.

We therefore consider that the negative effects described above make it inappropriate to adopt the proposal in Option 3.

3) Can you recommend any additional options that would effectively address the problem??

With regard to this, and without prejudice to the legitimate desire to safeguard public health and to the Ministry of Health’s competencies in this area, we feel that other ways need to be sought to

make consumer information on tobacco products more efficient, while the proposal to “*introduce generic or plain packaging*” should be abandoned.

6. Access to tobacco products

6.3. Questions

1) Do you agree with the definition of the problem? If not, please provide an explanation.

This section covers a very broad range of arguments, some of which lie outside the scope of this Directorate-General’s institutional competencies.

In particular, we have no administrative competencies – and consequently, no useful information – regarding the cross-border sale of tobacco products (over the Internet) and access to cigarette vending machines.

To the contrary, we would like to express some of our reflections on the question of the display of tobacco products in shops as we did for the consumer information proposals, that is, solely and exclusively with regard to issues surrounding industrial property rights, rather than those related to health. With regard to this aspect, we are of the opinion that the problem is properly defined in technical terms but the definition is too broad with regard to the distribution of competences within the Italian State.

2) In your view, which option addresses the problem most effectively?

In light of our response to the previous question and the considerations set out below, we feel that the “**no change**” option is preferable.

As far as Option 3c in particular is concerned, we would draw a parallel with the considerations already put forward for section 3 of the consultation, that introducing such a measure would have detrimental effects on counterfeiting and the use of trademarks.

A ban on displaying tobacco products in shops would, in fact, inappropriately limit the legitimate use of the trademark by the firm holding the rights and could potentially increase underground sales of tobacco products, limiting the tangible options for observing the average consumer.

These arguments can also be extended to Option 2c.

We therefore consider that the negative effects described above make it inappropriate to adopt the proposals in Options 2c and 3c.

3) Can you recommend any additional options that would effectively address the problem??

With regard to this, and without prejudice to the legitimate desire to safeguard public health and to the Ministry of Health’s competencies in this area, we feel that other ways need to be sought to control access to tobacco products, while the proposals to limit or ban the display of tobacco products in shops should be abandoned.

[signed]

Loredana Gulino
The Director General