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The Honorable Mr. Andrew CHENG  
Chairman  
Bills Committee on Smoking (Public Health) Amendment Bill  
Legislative Council Building  
8 Jackson Road  
Central  
Hong Kong

Dear Chairman,

**Smoking (Public Health) (Amendment) Bill – Descriptor ban**

We refer to the paper prepared by Legco's Assistant Legal Adviser, dated 6 June 2006 (*Legco Legal Adviser's Paper*), on the captioned subject and the discussion at the Bills Committee yesterday morning. We continue to believe that the position expressed by the Department of Justice most recently in its June response to the Legco Legal Adviser's Paper maintaining the introduction of grandfathering with notation is a balanced and appropriate solution to resolve the issues. We would like to respond to a number of points made in the Paper and comments expressed at the meeting yesterday.

**Summary of our response:**

1. The EU did not *per se* ban the use of words such as "mild" or "lights" on cigarette packages – it merely prohibits the use of descriptors which are misleading. Similarly, the WHO Framework Convention on Tobacco Control (FCTC) does not *per se* prohibit the use of certain descriptors.
2. The Hong Kong government proposal to grandfather trademarks but require packs containing descriptors to carry a notation is fully in compliant with the obligations under the FCTC. Furthermore, it is noteworthy that the FCTC requires Hong Kong to implement the descriptor regulation "in accordance with its national law."
3. Allegations were made at yesterday's meeting that our trademark "MILD SEVEN" was misleading. In fact, research conducted in Hong Kong in 2005 showed that hardly anyone (smokers, former smokers, and non-



smokers) had any spontaneous impression that "MILD SEVEN" cigarettes are less harmful than other tobacco products.

4. The Hong Kong research also showed that on-pack notation would be effective in dispelling any belief that the words "mild", "lights", and "super lights" etc mean that a product is less harmful than others.

5. There is no law in Australia banning descriptors or trademarks containing words such as "mild" or "lights". The Australian government entered into agreements with tobacco companies whereby the companies agreed to voluntarily remove descriptors from their packs. Since this was a voluntary decision by tobacco companies, the issue of trademark/property rights infringement or deprivation did not arise.

Below are detailed explanations of our position

#### 1. European Court of Justice (ECJ) decision

##### 1.1 Neither the EU Directive nor the ECJ bans specific words

Article 7 of the EU Directive addresses descriptors but it does not impose a *per se* ban on the use of any particular word. The Article states that "... *text, names, trademarks 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*". The ECJ judgment does not expressly ban the Mild Seven trademark or find that the word "mild" in "MILD SEVEN" is actually misleading. The ECJ merely indicated that the word "mild" could be prohibited when used misleadingly.

##### 1.2 Member states have discretion as to whether or not to ban certain words

In fact, the European Court of First Instance (CFI) held that Article 7 leaves discretion to the EU Member States as to how to bring about the objective it pursues<sup>1</sup>. Member States may choose to ban or not to ban the

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<sup>1</sup> The relevant court judgment said: "*There is an issue to be tried accordingly on the basis of the applicants' own case as to whether, when implemented, Article 7 will have the effect of prohibiting the continuing use of the "MILD SEVEN" mark upon the ground that the presence of the word mild on the packaging does in fact suggest that that product is less harmful than others*". This issue has never been tried in the EU.



use of particular terms such as "light" or "mild". The CFI further held that *"the mere fact that the word 'mild' is one of the adjectives listed by way of illustration in ... the Directive does not necessarily require the Member States to prohibit the use of that specific word ..."*

### 1.3 WHO's Framework Convention on Tobacco Control (FCTC)

Similarly, Article 11 of the FCTC does not require that certain descriptors be banned *per se*. The Article requires governments to implement *"effective measures ... in accordance with its national law ... 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 ..."*

The government's present proposal to grandfather existing trademarks and descriptors provided they also have an additional warning ("notation") is in our view an effective measure and is in full compliance with Article 11 of the FCTC.

## 2. Implementation must be in accordance with Hong Kong law

The Legco Legal Adviser's Paper draws most heavily on the ECJ decision. In Hong Kong, we are under completely different legal frameworks as compared with Europe. In Hong Kong, the over-riding issue with regard to the banning of the "MILD SEVEN" trademark is whether such a ban violates the Basic Law. The government current proposal of grandfathering and notation addresses this.

What should be borne in mind in this context is the application of the FCTC. Article 11 of the FCTC specifies that individual signatory countries must implement descriptor regulations through "effective measures" in accordance with national laws. Therefore, in Hong Kong, "effective measures" must be assessed in terms of both evidence of fact and law. Consumer research was conducted in Hong Kong last year by a US-based research company, which shows that hardly anyone associate the brand name "MILD SEVEN" with less harm to health than other tobacco products. The same research also showed that the use of notation is, in fact, effective in correcting any public misconception about descriptors.



3. Canadian case: irrelevant to Hong Kong

Canada/Quebec Superior Court judgment (dated 2002) which was circulated to the Bills Committee members is irrelevant, because it was partly overruled by the Court of Appeal in 2005 and is still pending in the Canadian Supreme Court.

4. The Australian case

In Australia there is no law that bans the use of descriptors. The Australian Competition & Consumer Commission (ACCC) entered into agreements with various tobacco companies, including Imperial Tobacco (Japan Tobacco's distributor in Australia but our company was not a party to the agreements) in 2005. Under the agreements, tobacco companies agreed to voluntarily remove descriptors from packs. Since the agreements are voluntarily in nature, it is totally different from the case in Hong Kong where the proposed bill, if passed into law, would unilaterally force tobacco companies to remove descriptors - including trademarks. The agreements also state very clearly that tobacco companies did not agree with the ACCC allegations that descriptors were used to mislead consumers.

5. Conclusion

We remain convinced that the Administration's proposal to grandfather existing trademarks with notation is an appropriate, prudent and balanced approach. However, we wish to reiterate that if a law were passed in Hong Kong to ban descriptors that would also prevent the use of our "MILD SEVEN" trademarks, there would be a de facto deprivation of our rights under the Basic Law. While we do not wish to resort to legal action, we will take all measures necessary to protect our proprietary rights in this case.

Fujio Seyama  
Director,  
Japan Tobacco (Hong Kong) Ltd.



cc Secretary for Health, Welfare & Food (Attn: Mrs Ingrid Yeung, Deputy Secretary)

Secretary for Justice (Attn: Mr Peter Wong Hing-hong, Snr Asst Solicitor General)

Director of Intellectual Property (Attn: Mr Peter Cheung, Deputy Director)

Secretary General, Legislative Council (Attn: Ms Monna Lai, Asst Legal Adviser)