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On the Mark? Big Tobacco Asserts Property Rights on Cigarette Packaging

Benjamin A. Hackman*

The battle between Big Tobacco and the United States government has recently taken an interesting twist. In 2009, President Barack Obama signed the Family Smoking Prevention and Tobacco Control Act ("FSPTCA"). The FSPTCA gives the Food and Drug Administration ("FDA") authority to regulate tobacco products. The FSPTCA also amends the Federal Cigarette Labeling and Advertising Act to require cigarette makers to place larger warning labels on their advertisements and product packaging. About two months after President Obama signed the FSPTCA, R.J. Reynolds and five other tobacco companies sued the FDA in federal court in Kentucky. They alleged that the FSPTCA violates the federal Constitution's Fifth Amendment Takings Clause because FSPTCA-mandated warning labels infringe the trademarks and trade dress that tobacco companies print on cigarette

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7. U.S. CONST. amend. V.
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This Comment aims to address two issues underlying the claim that FSPTCA warning labels constitute a Fifth Amendment taking of tobacco companies’ trademarks or trade dress. First, are trademarks or trade dress a cognizable property interest under the federal Constitution? Second, is the FSPTCA a government regulation that amounts to a taking? To contextualize these issues, I will first discuss similar issues raised by tobacco warning-label litigation in Europe. Even if trademarks or trade dress are deemed to be a constitutionally cognizable property interest in the United States, FSPTCA-mandated warning labels probably do not amount to a taking.

This Comment will discuss the tobacco companies’ complaint only as it was originally filed and will examine only the complaint’s Fifth Amendment takings claim. I will not analyze whether a federal district court has jurisdiction over the takings claim. Moreover, I will disregard how a takings analysis might change if some of the plaintiffs effectively waived their Fifth Amendment rights by signing the Master Settlement Agreement of 1998, for some of the plaintiffs have not signed it. Lastly, I will not address the just-compensation aspect of the plaintiffs’ takings claim.

I. TOBACCO WARNING-LABEL LITIGATION IN EUROPE

On June 5, 2001, the European Parliament and the Council of the European Union (“EU”) adopted a Directive to regulate how tobacco products are made, presented and sold in EU member states. The Directive clarifies amendments to previous Directives that regulated packs. The plaintiffs asked the court to declare the FSPTCA unconstitutional and to enjoin the FDA from enforcing it.

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tobacco warning labels in the European Community. The Directive recites that "substantial differences" exist among member states' laws governing the production, advertisement and sale of tobacco, and that these differences inhibit the European Community’s tobacco market. The Directive states that these laws should be made uniform across member states in order to eliminate trade barriers, “while leaving Member States the possibility of introducing, under certain conditions, such requirements as they consider necessary in order to guarantee the protection of the health of individuals.” The Directive also says that warning labels vary among the member states, and that these differences too are likely to inhibit the European Community’s tobacco market “and should therefore be eliminated.” The Directive bans terms such as “low-tar,” “light,” and “mild” from cigarette packs because these terms may lead consumers to believe that cigarettes so branded are less harmful than regular cigarettes.

Three tobacco companies challenged Articles 5 and 7 of the Directive. Article 5 sets forth label requirements for tobacco packaging. It mandates that the two “most visible” surfaces of every cigarette pack

18. See id. recital ¶ 1.
19. See id. recital ¶ 2.
20. Id. ¶ 3.
22. Id. Cases decided after the Directive was passed show that eliminating barriers to trade in Europe’s tobacco market is a disingenuous reason for enacting the Directive. In Case C-210/03, Queen ex rel. Swedish Match AB v. Sec'y of State for Health 2004 E.C.R. I-11893, the United Kingdom, on behalf of Swedish Match, challenged the Directive on the basis that Directive Article 8 was overbroad because it completely prohibited advertising of certain types of chewing tobacco in the European Community. Case C-210/03, Queen ex rel. Swedish Match AB v. Sec'y of State for Health 2004 E.C.R. I-11893, ¶¶ 1, 21(2)(c). The Court of Justice held that the Community Legislature did not exceed its discretion in enacting the Directive pursuant to Article 95(3) EC, which gives the Community legislature wide latitude in passing laws aimed at protecting public health. Case C-210/03, Queen ex rel. Swedish Match AB v. Sec'y of State for Health 2004 E.C.R. I-11893, ¶¶ 56, 58. But the Court of Justice held that no other measure besides the Directive’s warning-label requirements would have as effectively protected public health, “inasmuch as [other measures] would let a product which is in any event harmful gain a place in the market.” Case C-210/03, Queen ex rel. Swedish Match AB v. Sec'y of State for Health 2004 E.C.R. I-11893, ¶ 57. Moreover, the Court of Justice held that the Directive did not manifestly violate the principle of proportionality, which requires that laws that the Community legislature enacts be “appropriate for attaining the objective pursued and . . . not go beyond what is necessary to achieve it.” Case C-210/03, Queen ex rel. Swedish Match AB v. Sec'y of State for Health 2004 E.C.R. I-11893, ¶¶ 47 & 58. Yet the Court of Justice qualified this standard of review by adding that the Community legislature must be granted wide discretion to enact laws promoting public health and that the court would strike down such a law only if it was “manifestly inappropriate in relation to the objective which the competent institutions are seeking to pursue . . . .” Case C-210/03, Queen ex rel. Swedish Match AB v. Sec'y of State for Health 2004 E.C.R. I-11893, ¶ 48.

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and carton display a warning label. At least 30% of “most visible surface” of each cigarette pack and carton must bear a general warning. If the member state has two official languages, then the warning-label area increases to at least 32%, and if the member state has three official languages, then the warning-label area increases to at least 35%. The warning need not appear on the top half of cigarette packs but must appear on them regularly.

Article 5 of the Directive requires a second warning “on the other most visible surface of” each cigarette pack and carton. This warning must cover at least 40% of the surface on which it appears. If the member state has two official languages, then this warning label must cover 45% of the surface area. If the member state has three languages, then this warning label must cover 50% of the surface area.

Additionally, Article 5 of the Directive requires that 10% of a side panel of each cigarette pack and carton display the product’s tar, nicotine and carbon monoxide yields. This figure increases to 12% for member states with two official languages, and to 15% for member states with three official languages.

Article 7 of the Directive bans certain descriptors from tobacco packaging. Article 7 provides: “[W]ithout prejudice to Article 5(1), 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.”

British American Tobacco, Imperial Tobacco, and Japan Tobacco sought judicial review of whether the United Kingdom was required to

24. Id. art. 5(2)(a)(2).
26. See id. art. 5(2)(a)(2). Presumably, the most visible surface of a cigarette pack is its front panel.
27. The general warning labels the Directive mandates are “Smoking kills/Smoking can kill,” or “Smoking seriously harms you and others around you.” Id. art. 5(2)(a)(2).
28. See id. art. 5(5).
29. See id. art. 5(2).
30. See id. art. 5(2)(b), which refers to warnings listed in Annex I.
32. See id. art. 5(5).
33. See id.
34. See id.
35. See id. art. 5(1).
37. Claimants contended Article 7 forbid them from using descriptive terms as “light” or “mild” on their cigarette packs. See Case C-491/01, Queen v. Sec’y of State for Health, ex parte British Am. Tobacco (Inv.) Ltd. and Imperial Tobacco Ltd. 2002 E.C.R. 1-11453, ¶ 143 [hereinafter British Am. Tobacco].
incorporate the Directive into its national laws. In December 2001, the High Court of Justice (England and Wales), Queen’s Bench Division, asked the Court of Justice of the European Communities to interpret the Directive and rule on its validity. The UK court asked whether the Directive infringed the fundamental right to property; Article 295 EC, which provided that the EC Treaty would not infringe member states’ systems of property ownership, or Article 20 of the Trade-Related Aspects of Intellectual Property Rights (“TRIPs”). British American Tobacco and Imperial Tobacco argued that the Directive infringed all three. They argued that the large warning labels prescribed by Article 5 infringed their intellectual-property rights. British American Tobacco and Imperial Tobacco complained that the mandated warning labels would overwhelm the appearance of their tobacco packaging and prevent them from using their trademarks.

Japan Tobacco argued that because use of its “Mild Seven” trademark in the European Community would be forbidden by Article 7, the Directive infringed Japan Tobacco’s right to property, “a fundamental human right in the Community legal order” that Article 1 of the First Protocol to the European Convention on Human Rights protects and that is set forth in Article 17 of the Charter of Fundamental Rights of the European Union. Luxembourg and Greece agreed with the tobacco companies’ arguments.

Several other European governments took the opposite position. These governments argued that the Directive did not affect rules governing the property-ownership systems of European Community

39. See The Queen v. Sec’y of State for Health ex parte British Am. Tobacco (Inv.) Ltd. and Imperial Tobacco Ltd., supported by Japan Tobacco Inc. and JT International S 2003 1 C.M.L.R. 14 at H3 (p. 395), Official Journal 2003 C31/3, C-491/01.
40. See British Am. Tobacco, supra note 37, ¶ 25.
42. Trade-Related Aspects of Intellectual Property Rights, Including Trade in Counterfeit Goods, Dec. 15, 1993, 33 I.L.M. 81 (1994) [hereinafter TRIPs]. TRIPs Article 20 says that use of a trademark in the course of trade should not be encumbered by special requirements. See British Am. Tobacco, supra note 37, ¶ 143.
43. See British Am. Tobacco, supra note 37, ¶ 143.
44. See id. ¶ 143.
45. See id.
46. Id. ¶¶ 27 & 144.
47. Id. ¶ 144.
48. See British Am. Tobacco, supra note 37, ¶ 145.
49. The United Kingdom, Belgium, France, Sweden, and the Netherlands opposed the claimants. See id. ¶ 146.
member countries, member countries, member countries, did not improperly infringe the fundamental right to property,®° and did not contradict TRIPs Article 20.®¹

A. Infringement of Article 295 EC

The Court of Justice ruled that the Directive did not infringe Article 295 EC, which provides that "[t]his Treaty shall in no way prejudice the rules in Member States governing the system of property ownership."®² The court’s brief analysis seems to be based on a distinction between a member state’s system of property ownership and particular rights in property that the member state recognizes. The Directive could infringe the latter without prejudicing the former.®³ The court held that the Directive did not impinge on rules governing the system of property ownership in member states within the meaning of Article 295 EC.®⁴ Because Article 295 EC was “irrelevant” to any effect the Directive might have on particular property rights the tobacco companies had in their trademarks,®⁵ the court did not need to determine whether the Directive actually infringed tobacco companies’ intellectual-property rights.®⁶

B. Infringement of the Fundamental Right to Property

The tobacco companies also argued that the Directive infringed their right to property, protected by Article 1 of the First Protocol to the European Convention on Human Rights®⁷ and Article 17 of the Charter

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50. Pursuant to Article 295 of the EC Treaty, supra note 41. See British Am. Tobacco, supra note 37, ¶ 146.
51. See British Am. Tobacco, supra note 37, ¶ 146.
52. These governments argued that the Directive allowed tobacco makers to keep using their trademarks on the packaging’s non-warning-label areas and therefore did not violate TRIPs Article 20. See British Am. Tobacco, supra note 37, ¶ 146. See also TRIPs, supra note 42, art. 20.
53. EC Treaty, supra note 41, art. 295. See also British Am. Tobacco, supra note 37, ¶ 147.
54. See British Am. Tobacco, supra note 37, ¶¶ 147-48. The court wrote that Article 295 of the EC Treaty, supra note 41, “merely recognises the power of Member States to define the rules governing the system of property ownership and does not exclude any influence whatever of Community law on the exercise of national property rights...” British Am. Tobacco, supra note 37, ¶ 147.
55. See British Am. Tobacco, supra note 37, ¶ 148.
56. See id.
57. See id. ¶¶ 147-48.
58. Article 1 of the First Protocol of the European Convention on Human Rights reads:

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. The preceding provisions shall not, however, in
of Fundamental Rights of the European Union. The Court of Justice wrote that it had consistently held that the right to property is not absolute but instead is relative to a social function. Therefore, the right could be restricted, provided any restriction corresponded to the Community's public-interest objectives and did not amount to a "disproportionate and intolerable interference, impairing the very substance of the rights guaranteed."

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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.

http://www.hri.org/docs/ECHR50.html#Pl Art I (last visited Nov. 4, 2009).

59. See British Am. Tobacco, supra note 37, ¶ 144. Article 17 of the Charter of Fundamental Rights and freedoms reads:

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.


60. See Case C-210/03, Queen ex rel. Swedish Match AB v. Sec'y of State for Health, 2004 E.C.R. 1-11893, ¶ 72. Proportionality is also at play in Canadian jurisprudence. See Canada v. JTI MacDonald Corp., 2007 SCC 30, ¶ 36.

61. See British Am. Tobacco, supra note 37, ¶ 149.


In Standley, the Court of Justice of the European Communities observed that the right to property "forms part of the general principles of Community law." Case C-293/97, Queen v. Sec'y of State for the Environment and Ministry of Agriculture, Fisheries and Food, ex parte H.A. Standley, 1999 E.C.R. I-2603, ¶ 59. Yet the court also observed that the right to property "does not constitute an unfettered prerogative." Id. ¶ 60. The right to property can be denied or restricted, so long as such a denial or restriction "in fact correspond[s] to objectives of general interest pursued by the Community and ... [does] not constitute a disproportionate and intolerable interference which infringes upon the very substance of the rights guaranteed." Id.

Similarly, in Case C-280/93, Federal Republic of Germany v. Council of the European Union, 1994 E.C.R. 1-4973, ¶ 15, the Court of Justice wrote that

Both the right to property and the freedom to pursue a trade or business form part of the general principles of Community law. However, those principles are not absolute, but must be viewed in relation to their social function. Consequently, the exercise of the right to property and the freedom to pursue a trade or profession may be restricted, particularly in the context of a common organization of a market, 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 (Case 265/87 Schraeder v Hauptzollamt Gronau [1989] ECR 2237, paragraph 15).
While the Directive effectively decreased the surface area on cigarette packs that tobacco companies could use to display their trademarks, the court wrote, the trademarks still could be displayed on non-warning-label areas without prejudicing the substance of the trademarks. Article 5 of the Directive established for Community states a baseline warning-label requirement, the aim of which was to protect public health once conflicts among labeling laws of member states were eliminated. The court held that the relationship between the trademark restrictions and the public-health purposes they served was such that Article 5 was "a proportionate restriction on the use of the right to property compatible with the protection afforded that right by Community law." Therefore, Article 5 did not unlawfully infringe the fundamental right to property.

Likewise, the court upheld Article 7's restrictions on tobacco makers' trademark rights. The court conceded that Article 7 did prevent Japan Tobacco from using its Mild Seven trademark but wrote that Japan Tobacco could still create new trademarks that used non-forbidden descriptors, and that Japan Tobacco could "distinguish its product by using other distinctive signs." Article 7's trademark restrictions corresponded to the European Community's goal of protecting public health and did not constitute a "disproportionate and intolerable interference, impairing the very substance of that right." Therefore, Article 7 did not unlawfully infringe the fundamental right to property.

C. Infringement of Intellectual-Property Rights under TRIPs

The court also refused to strike down the Directive on account of TRIPs Agreement Article 20 because there was no real conflict between

63. See British Am. Tobacco, supra note 37, ¶ 150.
64. See, e.g., id. at recital 24: "Member States should be able to adopt more stringent rules concerning tobacco products which they deem necessary to protect public health, in so far as the rules in the Directive are not prejudiced, and subject to the provisions of the Treaty."
65. See id. ¶ 150.
66. Id.
67. See id. ¶¶ 150 and 157.
68. See British Am. Tobacco, supra note 37, ¶ 157.
69. See id. ¶¶ 27 and 152.
70. Id. ¶ 152.
71. See id. ¶ 151.
72. Id. ¶ 153.
73. See British Am. Tobacco, supra note 37, ¶¶ 153 & 157.
the two.\textsuperscript{74} The court’s prior jurisprudence regarded the Directive\textsuperscript{75} as a European Community measure whose lawfulness was not to be determined vis-à-vis TRIPs, an international instrument that was not in principle “among the rules in the light of which the Court is to review the lawfulness of measures adopted by the Community institutions.”\textsuperscript{76} The legality of a Community measure such as the Directive would be determined by World Trade Organization (“WTO”) rules only if the measure expressly referred to WTO provisions or if the Community intended to implement a measure in the context of the WTO.\textsuperscript{77} Because the Directive satisfied neither condition, the Court of Justice did not judge the Directive in light of the TRIPs Agreement.\textsuperscript{78}

II. R.J. REYNOLDS’S SUIT CHALLENGING THE FSPTCA

The FSPTCA\textsuperscript{79} authorizes the FDA to regulate tobacco products\textsuperscript{80} and amends the Federal Cigarette Labeling and Advertising Act\textsuperscript{81} to mandate that cigarette packs and tobacco advertisements display certain warning labels.\textsuperscript{82} The FSPTCA requires that the top half of the front and rear panels of cigarette packs contain one of nine warnings about the risks of smoking.\textsuperscript{83} The term “Warning” must appear in capital letters, be in seventeen-point type or take up 70% of the warning-label area (whichever is less), and be in “conspicuous and legible” type.\textsuperscript{84} The warning text must be black on a white background, or white on a black background.\textsuperscript{85} Press and poster advertisements must display warnings on at least 20% of the ad space.\textsuperscript{86} The warnings must be in black letters on a white background, or white letters on a black background.\textsuperscript{87} The FSPTCA also provides that within two years of its enactment, the Secretary of Health and Human Services shall issue regulations requiring color graphics depicting the negative health consequences of tobacco use.

\textsuperscript{74} See id. ¶¶154-56.
\textsuperscript{76} British Am. Tobacco, supra note 37, ¶ 154.
\textsuperscript{77} See id. ¶ 155.
\textsuperscript{78} See id. ¶ 156.
\textsuperscript{80} See 21 U.S.C. § 387a(a) (2009).
\textsuperscript{83} See id.
\textsuperscript{84} Id.
\textsuperscript{85} See id.
\textsuperscript{87} See id.
to be displayed in the warning labels of advertisements and cigarette packs.\textsuperscript{88}

The FSPTCA also amends the Comprehensive Smokeless Tobacco Health Education Act of 1986\textsuperscript{89} by requiring each smokeless-tobacco package to display a warning on 30% of both principal display panels.\textsuperscript{90}

The warnings must be in black text on a white background, or in white text on a black background.\textsuperscript{91}

On August 31, 2009, R.J. Reynolds and Lorillard were among six tobacco companies who sued the FDA in U.S. District Court for the Western District of Kentucky.\textsuperscript{92} The plaintiffs sought preliminarily and permanently to enjoin the FDA from enforcing FSPTCA provisions that plaintiffs contended were unconstitutional.\textsuperscript{93} The complaint articulates two theories of the FSPTCA’s unconstitutionality. First, the FSPTCA violates the First Amendment’s free-speech guarantee by restricting plaintiffs’ right to communicate truthfully with consumers.\textsuperscript{94} Second, the FSPTCA violates the Fifth Amendment’s Due Process and Takings clauses.\textsuperscript{95} Specifically, the tobacco companies argued that FSPTCA warning requirements infringe and significantly devalue their trademarks, and therefore deprive plaintiffs of their property without due process of law.\textsuperscript{96} Second, the tobacco companies argued that the mandated warnings appropriate space on their product packaging and thus constitute a taking of their private property without just compensation.\textsuperscript{97}

Plaintiffs alleged that they have commercially valuable property rights in their product packaging, "including the design of the packaging and the trademarked logos displayed on those packages."\textsuperscript{98} Plaintiffs asserted they have invested significantly in designing their packaging and the trademarked logos their packaging displays.\textsuperscript{99} Plaintiffs also asserted they have invested in marketing so that their products can be

\textsuperscript{93} See id. ¶¶ 174-79. See also id. ¶¶ 123, 124 & 126 (where plaintiffs seek a declaratory judgment that the challenged FSPTCA provisions are unconstitutional).
\textsuperscript{94} See id. ¶ 6.
\textsuperscript{95} See id. ¶¶ 30, 66, 119, 134, and Prayers for Relief C & E.
\textsuperscript{97} See id. ¶¶ 30, 66 & 119, Prayer for Relief C.
\textsuperscript{98} Id. ¶ 64.
\textsuperscript{99} See id. ¶ 64.
identified according to their packaging design, color and logos. The complaint suggests that the mandated warning labels will prevent plaintiffs from meaningfully using product packaging to display their particular trademarks.

Plaintiffs also focused on the FSPTCA requirement that many press and poster advertisements be in black and white. The Act requires such black-and-white advertising to contain color graphics of tobacco-related illness, which graphics plaintiffs allege will "dominate" the advertisements and likely result in viewers internalizing only the government's anti-tobacco message. Plaintiffs argued that banning colors in many of their advertisements amounts to a Fifth Amendment taking. In sum, plaintiffs argued that the FSPTCA deprives them of their trademarks and trade dress without just compensation.

To be granted relief on a Fifth Amendment takings claims, plaintiffs must establish at least two things. First, they must show that trademarks or trade dress are a constitutionally cognizable property interest. Second, they must demonstrate that the challenged FSPTCA provisions amount to a taking of such property.

A. Are Trademarks Property?

The complaint alleges that FSPTCA warning-label provisions violate the U.S. Constitution's Fifth Amendment Takings and Due Process clauses. Although the complaint does not cite case law to support its takings claim, the complaint as originally filed raises

100. See id.
102. See id. ¶ 61.
103. Id.
104. See id. ¶ 119.
105. See id. ¶ 66.
106. See Jeremy A. Blumenthal, Legal Claims as Private Property: Implications for Eminent Domain, 36 HASTINGS CONST. L.Q. 373, 374 (2009) (without a showing that something may be considered private property, "constitutional protection of private property rights is not implicated. . ."). Professor Merrill has also written that the Due Process and Takings clauses "appear to impose a threshold condition that a claimant have some 'property' at stake before the protections associated with the Clause apply." Thomas W. Merrill, The Landscape of Constitutional Property, 86 VA. L. REV. 885, 886 (2000).
107. Plaintiffs' complaint does not mention the Lanham Act or allege that the FSPTCA conflicts with the Lanham Act.
interesting questions about trademark rights. Are trademarks property? Is trade dress property? If they are property, to what extent can government regulate them? To prevail on a Fifth Amendment takings claim, plaintiffs must show that trademarks or trade dress are a constitutionally cognizable property interest.109

Civil-law countries generally regard trademarks as property.110 Trademark rights in these jurisdictions typically arise out of registration111—whoever registers a trademark first acquires property rights in that mark.112 Conversely, in the United States, where trademark law is rooted in common law, trademark rights arise out of use—whoever uses a mark in commerce first acquires rights in the mark.113

Another important distinction between civil-law and common-law jurisdictions is that the former tend to permit assignments in gross of trademarks, whereas such transfers cannot be effectuated in the latter.114 An assignment in gross occurs when a trademark holder transfers a trademark to another party “without the appurtenant goodwill.”115 At common law, trademarks “have never been property.”116 A trademark holder has only the right to exclude others from using the

109. According to Professor Merrill, since Board of Regents v. Roth, 408 U.S. 564 (1972), “the Court has become increasingly insistent that persons seeking protection for economic interests under either the Due Process or Takings Clauses must establish they have ‘property’ if they are to avoid dismissal of their lawsuit.” Thomas W. Merrill, The Landscape of Constitutional Property, 86 VA. L. REV. 885, 887 (2000).


111. See id. at 832-33.

112. See id. at 833.

113. See id.

114. See id.

mark on similar goods. By contrast, owners of patents and copyrights enjoy the right to alienate and exclusively control their work. The right to use a symbol to distinguish one’s goods from others’ “has been long recognized by the common law...” The right to use a trademark is a property right, but “in a common law system such as the United States, the mark itself is not subject to property ownership.”

The Lanham Act largely codifies the common-law approach to trademarks. The Lanham Act defines “trademark” to include “any word, name, symbol, or device, or any combination thereof” used to identify and distinguish the user’s goods “from those manufactured or sold by others and to indicate the source of the goods, even if that source is unknown.” This definition is broad. The U.S. Supreme Court has held that a mere color may meet “ordinary legal trademark requirements” and that “when it does so, no special legal rule prevents color alone from serving as a trademark.” The term “trademark” also encompasses “trade dress,” which the Lanham Act protects from infringement. Trade dress connotes “the total look of a product and its packaging and even includes the design and shape of the product itself.” According to the Supreme Court, trade dress originally included “only the packaging, or ‘dressing,’ of a product, but in recent years has been expanded by many Courts of Appeals to encompass the design of a product.... These courts have assumed, often without discussion, that

120. See id.
121. HALPERN ET AL., supra note 117, at 347.
123. Kenneth L. Port, Judging Dilution in the United States and Japan, 17 TRANSNAT’L L. & CONTEMP. PROBS. 667, 680 (2008) (“[T]he Lanham Act is a statute which is supposed to codify the common law of trademarks. In the legislative history of the Lanham Act, the authors expressly state that it is a statute that codifies common law and is not intended to change or enlarge the common law.” Professor Port cites S. Rep. No. 1333 (1946)).
125. Qualitex Co. v. Jacobson Products Co., Inc., 514 U.S. 159, 160-61 (1995). In emphasizing the Lanham Act’s expansive definition of “trademark,” Justice Breyer wrote: “If a shape, a sound, and a fragrance can act as symbols why, one might ask, can a color not do the same?” 514 U.S. at 162.
127. 1 MCCARTHY, TRADEMARKS AND UNFAIR COMPETITION § 8:4 (4th ed. 2008); see also HALPERN ET AL., supra note 117, at 326.
trade dress constitutes a ‘symbol’ or ‘device’ . . . and we conclude likewise." 128

The United States Constitution refers to patents and copyrights but not trademarks. 129 In light of this distinction, the U.S. Supreme Court in a nineteenth-century case called In re Trade-Mark Cases 130 struck down the Trademark Act of 1870, which, according to Professor Port, had been an attempt by Congress to give trademarks property status. 131 The defendants in In re Trade-Mark Cases were indicted on criminal charges of violating the Trademark Act. 132 The Court held that Congress could not, on the basis of the Constitution’s Copyright Clause, which does not refer to trademarks, vest trademark holders with more rights than the right to exclude others from using their marks. 133 To grant new trademark rights based on the Copyright Clause was to exercise an invalid Congressional power because the Copyright Clause did not specifically mention trademarks, 134 and such an exercise of power would improperly intrude on states’ powers to regulate “property in trademarks and the right to their exclusive use. . . .” 135 The Trade-Mark Cases

130. In re Trade-Mark Cases, 100 U.S. 82 (1879).
132. In re Trade-Mark Cases, 100 U.S. at 91.
134. See id. at 552.
135. In re Trade-Mark Cases, 100 U.S. at 93. The Court wrote:

As the property in trade-marks and the right to their exclusive use rest on the laws of the States, and, like the great body of the rights of person and of property, depend on them for security and protection, the power of Congress to legislate on the subject, to establish the conditions on which these rights shall be enjoyed and exercised, the period of their duration, and the legal remedies for their enforcement, if such power exist at all, must be found in the Constitution of the United States, which is the source of all powers that Congress can lawfully exercise.

Id. Writes Professor Port:

since trademark rights are not part of the Patent and Copyright Clause of the Constitution, they are protected through federal legislation, if at all, by the Commerce Clause. The Commerce Clause has been subject to the most drastic shifts in interpretation of perhaps any clause of the Constitution. The trademark right is a very important asset of any corporation. It seems a bit tenuous to have such an important asset rest on the malleable Commerce Clause.

Court did not reach the issue of whether Congress could regulate trademarks pursuant to the Commerce Clause.  

The Court limited the scope of the *In re Trade-Mark Cases* holding in the 1918 case *United Drug Co. v. Theodore Rectanus Co.*, in which a Massachusetts corporation sued to enjoin the alleged infringement of its trademark by a Kentucky corporation. The Court wrote that a trademark is not a right in gross, and that in this respect trademarks differ from copyrights and patents. That a trademark is not a right in gross means that "[t]here is no such thing as property in a trade-mark except as a right appurtenant to an established business or trade in connection with which the mark is employed." The Court also wrote that

> [p]roperty in trade-marks and the right to their exclusive use rest upon the laws of the several states, and depend upon them for security and protection; the power of Congress to legislate on the subject being only such as arises from the authority to regulate commerce with foreign nations and among the several states and with the Indian tribes.

Thus, whereas *In re Trade-Mark Cases* establishes that Congress may not regulate trademarks pursuant to the Copyright and Patent Clause, *Theodore Rectanus* suggests Congress may regulate trademarks pursuant to the Commerce Clause.

Recent Supreme Court opinions suggest that whether trademarks are property is not a settled issue. In *Ruckelshaus v. Monsanto*, the
Court held that a trade secret is property that the Fifth Amendment protects. In reaching its conclusion, the Court observed that trade secrets "have many of the characteristics of more tangible forms of property" in that trade secrets are assignible, can serve as the corpus of a trust, and pass to a trustee in bankruptcy. Trademarks exhibit each of these characteristics. Trademarks can be assets of a bankruptcy estate, which means courts can order the involuntary sale of trademarks.


147. See id. at 1003-04.
148. Id. at 1002.
149. See, e.g., Adams Apple Distributing Co. v. Papeleras Reunidas, S.A., 773 F.2d 925, 931 (7th Cir. 1985).
150. See id. The Seventh Circuit wrote:
It is true that a trademark is not a property right in gross which may be sold apart from the business or goodwill with which the trademark has been associated. Marshall v. Green, 746 F.2d 927, 929 (2d Cir.1984); Mister Donut of America, Inc. v. Mr. Donut, Inc., 418 F.2d 838, 842 (9th Cir.1969); J. McCarthy, TRADEMARKS & UNFAIR COMPETITION § 18:9 (1973) ("If the tangible assets of a bankrupt are sold without goodwill or trademarks being sold, the trademark ceases to exist."). But a trademark is a form of property, Intern'l Order of Job's Daughters v. Lindeburg & Co., 633 F.2d 912, 919 (9th Cir.1981); People ex rel. Scott v. Cardet Internat'l, Inc., 24 Ill.App.3d 740, 321 N.E.2d 386, 390 (1974), which exists in connection with the goodwill or tangible assets of a business." See also AMJUR Trademarks §4 (second edition, Trademarks and Tradenames, by John Kimpflen, J.D.: United Drug Co. v. Theodore Rectanus Co., 248 U.S. 90,369
Trademarks can also be assigned, and they can constitute the corpus of a trust.

Trademarks exhibit other qualities that other traditionally recognized types of property exhibit. For example, liens and security interests can attach to trademarks. Even if, as some scholars argue, a trademark is nothing when divorced from the goodwill of a business, to the extent that trademarks are business assets it would seem proper that they receive constitutional protection as property because "[t]he


154. See generally In re TR-3 Industries, 41 B.R. 128, 131-32 (1984) (where the court concluded a creditor had a "valid, duly perfected and effective security interest in" the debtor's trademarks); In re Roman Cleanser Co., 802 F.2d 207, 208-09 (6th Cir. 1986) (a security interest in a trademark can be assigned in gross if the security interest does not attach to equipment used to produce trademarked goods); Marshak v. Green, 746 F.2d 927, 929 (2d Cir. 1984) (a trademark cannot be sold apart from the goodwill it represents.).

155. See Kenneth L. Port, The Illegitimacy of Trademark Incontestability, 26 Ind. L. Rev. 519, 553 (1993) ("Mark 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 or the product on which they are used.").

156. See Anthony Distributors, Inc. v. Miller Brewing Co., 904 F. Supp. 1363, 1366 (M.D. Fla. 1995) ("Miller's trademark is an intangible asset of the corporation representing the corporation's reputation and goodwill."). A trademark is a business asset. One scholar has written that trademarks function to identify products, to differentiate products from others, and to help develop unique "brand personas." Robert N. Kliger, Trademark Dilution: The Whittling Away of the Rational Basis for Trademark Protection, 58 U. Pitt. L. Rev. 789, 789 (1997). "Taken together, these functions of trademarks as product, source, and quality identifiers, and as vessels for the development of brand personas, elevate trademarks above physical assets and other forms of intellectual property as the most valuable assets of many companies." Id. The trademarks of Coca-Cola and Microsoft have been valued at more than $70 billion each. Kenneth L. Port, Trademark Extortion: The End of Trademark Law, 65 Wash. & Lee L. Rev. 585, 586 (2008) (citing Suhejla Hoti, Michael McAleer & Daniel Stottje, Intellectual Property Litigation Activity in the United States, 20 J. Econ. Surv. 715, 715 (2006)).
assets of a business (including its good will) unquestionably are property, and any state taking of those assets is unquestionably a ‘deprivation’ under the Fourteenth Amendment.”\textsuperscript{157}

Importantly, Lanham Act amendments have given trademark holders more rights in their marks than trademark holders enjoyed when the statute originally codified the common law in 1946.\textsuperscript{158} Some courts and scholars regard two amendments in particular—the statute’s incontestability\textsuperscript{159} and anti-dilution amendments\textsuperscript{160}—as an attempt by


\textsuperscript{159} Incontestability is provided for in 15 U.S.C. § 1065. Incontestability essentially refers to the incontestable right of a holder of a registered mark to use the mark in commerce, provided, among other conditions, that the trademark has been registered and continuously used for five years. See Port, Kenneth L. Port, The Illegitimacy of Trademark Incontestability, 26 IND. L. REV. 519, 562 & 569 (1993). See also Kenneth L. Port, The Congressional Expansion of American Trademark Law: A Civil Law System in the Making, 35 WAKE FOREST L. REV. 827, 828 n.3 (2000), where Professor Port argues that the incontestability provisions added to the Lanham Act “seem to contemplate recognition of the trademark itself as property even though the common law has never treated the trademark as property.” Professor Port cites other scholars who agree with his view.

Congress to treat trademarks as property. Although R.J. Reynolds did not allege that FSPTCA-mandated warning labels violate the Lanham Act, the viability of the tobacco maker’s Takings Clause argument may depend on whether Congress has amended the Lanham Act such that it vests trademark holders with sufficient property rights to implicate the federal Constitution, notwithstanding In re Trade-Mark Cases. In other words, even if FSPTCA-mandated warning labels do not implicate the Lanham Act’s definition of infringement or dilution, the Lanham Act’s mere recognition of dilution and incontestability might be a trend toward giving trademarks and trade dress the property status requisite for a Fifth Amendment takings claim. Litigation regarding property rights in trademarks or trade dress will likely hinge on whether Lanham Act amendments depart from the common law such that trademarks or trade dress vest holders with more rights than solely the right to exclude others.

A 1999 Supreme Court opinion suggests that the Lanham Act does break from the common law and that trademarks may confer constitutionally protected property interests.

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[To embrace a civil law notion of trademark dilution, the United States must accept that civil law jurisdictions treat the trademark right itself as if it were property. In the United States, trademarks themselves are not subject to property ownership. A party in the United States may not own a word. A party may only own the right to exclude others from using your appellation of source to the extent you use it and as long as you use it. This was the “law and the Prophets” of trademark law, according to Judge Learned Hand. Dilution changes this. In order to make sense of trademark dilution in the United States, one must accept the idea that some trademarks are worth more. Some trademarks should be protected normatively, i.e., with or without statutory support. The justification for this protection is that the distinctive capacity of, for example, kodak is reduced if we allow a non-competitor to use the mark kodak on bicycles.


The hallmark of a protected property interest is the right to exclude others. That is 'one of the most essential sticks in the bundle of rights that are commonly characterized as property.'... The Lanham Act may well contain provisions that protect constitutionally cognizable property interests—notably, its provisions dealing with infringement of trademarks, which are the 'property' of the owner because he can exclude others from using them. See, e.g., K mart Corp. v. Cartier, Inc., 485 U.S. 176, 185-186, 108 S.Ct. 950, 99 L.Ed.2d 151 (1988) ("Trademark law, like contract law, confers private rights, which are themselves rights of exclusion. It grants the trademark owner a bundle of such rights[.]") 163

A simple argument could be made to assert that trademarks are property that the Constitution protects. The first premise is that the goodwill of a business is property. Support for this proposition is found in College Savings Bank v. Florida Prepaid Postsecondary Educ. Expense Bd., where the Supreme Court, in discussing due process, wrote that "assets of a business (including its good will) unquestionably are property, and any state taking of those assets is unquestionably a 'deprivation' under the Fourteenth Amendment." 164 The second premise is that a trademark is nothing when dissociated from a firm's goodwill, 165 and a firm's goodwill encompasses the firm's trademarks. Thus, insofar as warning labels impair trademarks or trade dress, they undermine the mark


164. College Savings Bank v. Florida Prepaid Postsecondary Educ. Expense Bd., 527 U.S. 666, 675 (1999). The College Savings Court does not seem to suggest that a federal taking of such assets would not be a deprivation under the Fifth Amendment.

165. Although he takes an opposing view, viz., that there is no property right in a trademark itself, Professor Port argues that "trademarks are nothing when devoid of the goodwill they have come to represent or the product on which they are used." Kenneth L. Port, The Illegitimacy of Trademark Incontestability, 26 IND. L. Rev. 519, 553 (1993). In Adams Apple Distributing Co. v. Papeleras Reunidas, S.A., 773 F.2d 925, 931 (7th Cir. 1985), the court wrote: "It is true that a trademark is not a property right in gross which may be sold apart from the business or goodwill with which the trademark has been associated... But a trademark is a form of property... which exists in connection with the goodwill or tangible assets of a business." See also 74 AM. JUR. 2D Trademarks § 4 (2009) (citing United Drug Co. v. Theodore Rectanus Co., 248 U.S. 90 (1919); Krebs Chrysler-Plymouth, Inc. v. Valley Motors, Inc., 141 F.3d 490 (3d Cir. 1998)).
holder's goodwill and, in this respect, impair a constitutionally protected property interest of the holder.166

But if a specific type of property is protectable under the Fourteenth Amendment, does it necessarily follow that such property is also protectable under the Fifth Amendment? And is "property" for due-process purposes the same as "property" for takings purposes?167 Another problem with this argument is that it is not clear FSPTCA-mandated warning labels must be superimposed over the plaintiffs' trademarks. Rather, tobacco companies might simply make their trademarks smaller to fill up the non-warning-label space on cigarette packs. The warning label would simply prompt tobacco companies to shrink their trademarks and would not alter or appropriate the trademarks' content. Tobacco makers could respond by asserting that the size and conspicuous, unattributed nature of the warning label directly harms their goodwill, thereby impairing a constitutionally protected property interest. Alternatively, tobacco companies might argue that the warning labels infringe their trademarks because trademarks are property, "trademark" encompasses "trade dress," and the warning labels adversely impact their trade dress.

B. Is Trade Dress Property?

Even if FSPTCA warning labels do not deprive tobacco companies of their trademarks, the warning labels may still deprive tobacco companies of their trade dress insofar as the warning labels affect the overall look of cigarette packs. If nothing else, a black-and-white warning label placed on half the front panel of a cigarette pack

166. This argument is not likely to please Professor Port, who has observed:
American trademark law walks a very fine line. In our federal constitutional system, there have been three specific objectives to trademark protection: protect consumers from confusion, protect the goodwill of the producer, and protect third parties' rights to compete. The expansion of trademark rights in America... results in an inextricable shifting of this fine balance to grossly favor the protection of the goodwill of holders of trademark rights.

167. The Seventh Circuit has held that "property" for takings purposes is not the same as "property" for due-process purposes. Pro-Eco, Inc. v. Board of Commissioners of Jay County, Indiana, 57 F.3d 505, 512-13 (7th Cir. 1995). The Seventh Circuit supported its position by citing Goldberg v. Kelly, 397 U.S. 245, 255 (1970), in which the Supreme Court held that welfare benefits could not be taken away without giving the recipient notice and a chance to be heard. Yet in Schroeder v. City of Chicago, 927 F.2d 957, 961 (7th Cir. 1991), the Seventh Circuit wrote that the Takings Clause did not apply to an allegedly improper removal of welfare benefits. Thus, the Seventh Circuit concluded in Eco-Pro that "[t]he Due Process Clause... recognizes a wider range of interests as property than does the Takings Clause." 57 F.3d 505 at 513.
noticeably changes the look of an item whose surface previously was saturated with color.

The definition of trademark seems broad enough to encompass trade dress because the Lanham Act broadly defines trademark to include any word, name, symbol, or “any combination thereof,” and because the design or overall appearance of a product’s packaging is reducible to a specific combination of colors, symbols, words and names. That a trademark can be “any combination” of words, names or symbols suggests that “trademark” covers any particular combination of trademarks arranged in a specific way on a product’s packaging. Therefore, even if FSPTCA warning labels do not prevent tobacco companies from displaying particular trademarks on cigarette packs—that is, even if the warning labels appear in a way that does not prevent tobacco companies from displaying individual symbols, names, colors or words around the warning labels—still, the warning labels will prevent tobacco companies from displaying the particular combination of words, colors, symbols, designs and names (the particular set of trademarks) that they had printed on cigarette packs previously. The warning labels will significantly alter the overall look of cigarette packs and thus affect tobacco companies’ trade dress. If trademarks are constitutionally protected property interests, and if “trademark” encompasses “trade dress,” then tobacco companies will more likely prevail on a Fifth Amendment takings claim regarding trade dress than on a claim on their individual trademarks.

British Am. Tobacco did not address whether the European Community-mandated warning labels infringed tobacco companies’ trade dress. The Court of Justice addressed only whether the Directive prejudiced the substance of certain individual trademarks that the

176. See British Am. Tobacco, supra note 37.
177. See id. ¶¶ 149-153.
petitioning tobacco companies placed on cigarette packs. The court concluded that the Directive merely increased the size of previously required warning labels in a way that left enough space on cigarette packs on which tobacco companies could print their individual trademarks.

C. Do FSPTCA-Mandated Warning Labels Constitute a Taking of Plaintiffs' Trademarks or Trade Dress?

To prevail on a takings claim, plaintiffs must show that the mandated warning labels constitute a taking of their property. The Fifth Amendment's Takings and Due Process clauses limit the conditions under which the federal government may deprive a person of his or her property. The Due Process Clause states that the government may not deprive a person of his or her property without due process. The Takings Clause states that the government may not deprive a person of his or her private property unless two conditions are satisfied: the private property is taken for a public purpose, and the individual is justly compensated. In Kelo v. City of New London, the Court wrote that "public purpose" has a broad definition, and that the Court tends to defer to the opinion of Congress as to what constitutes a public purpose.

In Pennsylvania Coal Co. v. Mahon the Court recognized that excessive government regulation could amount to a taking. Thus, the Court's jurisprudence distinguishes between physical and regulatory takings. Since Pennsylvania Coal, "neither a physical appropriation nor a public use has ever been a necessary component of a 'regulatory taking.'"

178. See id. ¶ 150.
179. See id. ¶¶ 132 and 150.
181. U.S. CONST. amend. V.
182. Id.
185. See id. at 480.
When the government physically takes possession of private property, "it has a categorical duty to compensate the former owner." However, when the government regulates property, determining whether the regulation amounts to a taking "necessarily entails complex factual assessments of the purposes and economic effects of government actions." The Court conducts a fact-based analysis of the particular circumstances of the case based on factors described in *Penn Central Transp. Co. v. City of New York*. The *Penn Central* Court held that for regulatory-takings cases, factors relevant to whether a regulation effects a taking include the "economic impact of the regulation on the claimant and, particularly, the extent to which the regulation has interfered with distinct investment-backed expectations." Also relevant is whether the government’s action is better characterized as a "physical invasion" or as "interference arising from some public program adjusting the benefits and burdens of economic life to promote the common good." The *Tahoe* Court added that the length of time that a government restriction affects property rights is important to the analysis.

European law differs from American law on the topic of regulatory takings. Many European countries have civil-law legal systems based on the Napoleonic Code of 1804. The Napoleonic Code itself interprets Roman law, which recognized two kinds of authority over property: dominium and imperium. Dominium is a landowner's right to use his or her property. Imperium is the government's power to infringe the landowner's dominium in order to promote public welfare. The interaction of dominium and imperium, however, does not yield an

194. *Id.* at 124.
195. *Id.* at 124.
196. *Id.*
197. See Tahoe-Sierra Preservation Council, Inc. v. Tahoe Regional Planning Agency, 535 U.S. 302, 337 (2002) ("[W]e do not hold that the temporary nature of a land-use restriction precludes finding that it effects a taking; we simply recognize that it should not be given exclusive significance one way or the other.").
198. See generally Jacobs, supra note 180.
199. See id. at 59.
200. See id.
201. See id.
202. See id.
203. See Jacobs, supra note 180, at 59.
individual right against government regulation. European governments have the right to regulate private property, "often onerously from a United States perspective," based on the right of imperium.

Neither national nor European law recognizes regulatory takings. In Europe a sharp divide exists between regulation and taking, the latter characterized as a physical appropriation of property. Professor Harvey Jacobs notes that some European constitutions further sharpen the regulation-taking dichotomy by positing social rights in property rights. This seems to be precisely what the Court of Justice recognizes in British Am. Tobacco where it asserts that the fundamental right to property is not absolute but is rather relative to its social function. As noted above, British Am. Tobacco leaves the regulatory-takings issue largely untouched.

Tobacco companies would likely prefer to argue that the FSPTCA is a physical rather than a regulatory taking of their property. The first reason for this preference is that the U.S. Supreme Court applies a clear, straightforward, categorical rule in physical-takings cases: if the government physically takes possession of a person’s property, then the government must compensate the person. Alternatively, in cases involving government regulation, the fact-sensitive analysis that the judiciary conducts precludes the government from having a clear-cut categorical duty to compensate the property owner. Moreover, government regulation that "bans certain private uses of a portion of an owner’s property... does not constitute a categorical taking" but rather requires the judiciary to conduct "complex factual assessments of the purposes and economic effects of government actions." When conducting such an assessment, the Court "does not divide a single parcel into discrete segments and attempt to determine whether rights in

204. See id.
205. Id. at 60.
206. See id.
207. See id.
208. See Jacobs, supra note 180, at 60.
209. See id.
210. See British Am. Tobacco, supra note 37.
211. See id. ¶ 149.
212. See generally id.
a particular segment have been entirely abrogated but rather focuses on an affected parcel of property as a whole. Thus, restrictions on how a limited area of a given parcel may be used, setback ordinances being an example, do not amount to regulatory takings.

Regardless of the theory that tobacco companies advance, they will not likely be granted relief on a takings claim. Even if trademarks or trade dress are a constitutionally cognizable property interest, FSPTCA warning labels are neither a physical nor a regulatory taking. The government has not physically taken possession of the warning-label area of cigarette packs. The government has not sought take possession of the trademarks and license them back to the tobacco companies. The government has not outright forbid tobacco companies from using their trademarks. Rather, the government is regulating what certain portions of cigarette packaging must display. Such regulation does not likely amount to a taking. Instead, the warning labels on cigarette packs resemble a regulation, such as a setback ordinance, which is not a taking that prevents a private-property owner from freely using a particular parcel of his or her real estate. Just as a setback ordinance forbids a property owner from erecting a structure on a particular zone of his or her land, so too the FSPTCA forbids tobacco companies from freely using the top half of the front of cigarette packs to display their trademarks. Supreme Court jurisprudence indicates the proper analysis involves taking stock of the surface area of the cigarette pack as a whole, rather than focusing solely on the areas of the cigarette pack that exhibit the mandated warning labels. The Court’s jurisprudence on setback ordinances suggests that restrictions on how cigarette-pack surfaces may be used may not amount to a regulatory taking.

III. CONCLUSION

As governments take new legal steps to discourage tobacco use, tobacco companies protect their interests by impugning the legal steps that governments take. In few regions is this more evident than the United States and Europe. Recently tobacco companies challenged the

FSPTCA on the basis that it violates the U.S. Constitution’s Fifth Amendment Takings Clause.\(^{222}\) To prevail on such a claim, tobacco companies would need to establish that trademarks or trade dress are property, and that FSPTCA-mandated warning labels effect a taking of that property.

Trademarks have a different legal status in Europe than they do in the United States. In *British Am. Tobacco*, the Court of Justice of the European Communities apparently assumed\(^ {223}\) that trademarks are property. This assumption is consonant with Professor Port’s contention that civil-law systems tend to regard trademarks as subject to property ownership.\(^ {224}\) But European law has largely eschewed the issue of whether government-mandated warning labels on cigarette packs constitute a taking.\(^ {225}\) Nor has European litigation addressed whether trade dress is property.\(^ {226}\)

I believe that trademarks exhibit many of the characteristics that more classic forms of property exhibit. Trademarks are assignable,\(^ {227}\) can serve as the corpus of a trust,\(^ {228}\) become part of a bankruptcy estate,\(^ {229}\) can be hypothecated,\(^ {230}\) and have extraordinary value.\(^ {231}\)

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222. See *id.* ¶ 30, 66, 119, 134, and Prayers for Relief C & E.

223. See *British Am. Tobacco*, *supra* note 37, ¶ 25, 149-154 (the Court of Justice addresses whether the Directive infringes the fundamental right to property by inhibiting claimants’ use of their trademarks).


225. See Jacobs, *supra* note 180, at 60.


230. See, e.g., Adams Apple Distributing Co. v. Papeleras Reunidas, S.A., 773 F.2d 925, 927 (7th Cir. 1985). See *also* In re Craddock-Terry Shoe Corp., 98 B.R. 250, 250 (Bankr. W.D. Va. 1988) (where debtor gave creditors a security interest in four of debtor’s trademarks). See *generally* In re TR-3 Industries, 41 B.R. 128, 131-32 (1984) (where the court concluded a creditor had a “valid, duly perfected and effective security interest in” the debtor’s trademarks); In re Roman Cleanser Co., 802 F.2d 207, 208-09 (6th Cir. 1986) (a security interest in a trademark is a proper assignment in gross if the security interest does not attach to equipment used to produce trademarked goods); Marshak v. Green, 746 F.2d 927, 929 (2d Cir. 1984) (trademarks cannot be assigned in gross; in other words, trademarks cannot be sold apart from its goodwill. “A trade name or mark is merely a symbol of goodwill; it has no independent significance apart from the goodwill it symbolizes... [A] trademark cannot be sold or assigned apart from to goodwill it symbolizes.”).

231. The trademarks of Coca-Cola and Microsoft have been valued at more than $70 billion each. See Kenneth L. Port, *Trademark Extortion: The End of Trademark Law*, 65
Although trademarks are not assignable in gross but rather are appurtenant to the goodwill of a business, such goodwill is a constitutionally protected form of property. If trademarks cannot be impaired without impairing a going concern's goodwill, then trademarks might be considered a constitutionally cognizable property interest.

If trademarks are property, then trade dress is also property because the Lanham Act defines trademarks as symbols, as well as any combination thereof. In other words, a trademark can be a combination of marks. Because trade dress is reducible to a combination of trademarks, "trademark" encompasses "trade dress."

The FSPTCA more likely deprives tobacco companies of their trade dress than it deprives them of their individual trademarks. The statute allows tobacco companies to display individual—though smaller—trademarks on their cigarette packs but prevents tobacco companies from displaying the specific combination of trademarks they have hitherto displayed. A warning label that takes up half the front panel of a cigarette pack significantly affects the overall look or appearance of the packaging.

Even if trademarks and trade dress are property, the FSPTCA probably does not amount to a Fifth Amendment taking. The FSPTCA does not effect a physical taking of tobacco makers' marks or trade dress because the government is not in possession of them. Tobacco makers can still decide how to situate their individual marks around the mandated warning labels. Nor does the FSPTCA effect a regulatory taking. That a setback ordinance does not effect a regulatory taking suggests, by analogy, that warning labels on cigarette packs do not effect a regulatory taking, either.

To protect their interests, tobacco companies have advanced an interesting theory of how the FSPTCA violates the Fifth Amendment's Takings Clause. How issues at the core of this theory should be resolved will doubtless be the subject of more thorough legal scholarship.

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233. See Kenneth L. Port, The Illegitimacy of Trademark Incontestability, 26 IND. L. REV. 519, 553 (1993) ("Mark 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 or the product on which they are used.").


