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NOTE

from: Presidency to: Delegations

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Subject: Amended proposal for a Regulation of the European Parliament and of the

Council concerning sales promotions in the Internal Market

Delegations will find in the Annex a revised compromise text of the Presidency on the abovementioned Regulation.

This compromise text represents a package that accounts for the results of the Working Party meetings of 5 and 12 May.

On condition that the content of this compromise is agreed, if necessary, the Presidency would also be willing to transform the proposal for a Regulation into a proposal for a Directive as a basis for reaching a political agreement at the Competitiveness Council of 19 May.

9416/03 AA/am 1 DG I **EN**

Amended proposal

for a

EUROPEAN PARLIAMENT AND COUNCIL REGULATION concerning sales promotions in the Internal Market and amending Directive 98/27/EC

THE EUROPEAN PARLIAMENT AND THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty establishing the European Community, and in particular Article 95 thereof,

Having regard to the proposal from the Commission ¹,

Having regard to the opinion of the Economic and Social Committee²,

Having regard to the opinion of the Committee of the Regions³,

Whereas:

- (1) In accordance with Articles 95 (3), 152 (1) and 153 (3) (a) of the Treaty, this Regulation takes as a base a high level of health and consumer protection.
- (2) In accordance with Article 14(2) of the Treaty, the internal market comprises an area without internal frontiers in which the free movement of goods, services and the freedom of establishment are ensured; the development of the use and commercial communication of sales promotions within the area without internal frontiers is vital to promote the development of cross-border activities provided that steps are taken to ensure a high level of consumer protection as well as protection of small and medium-sized enterprises (SMEs).

 $^{^{1}}$ OJ

² OJ C 221, 17.9.2002, p.73.

[•] O.J

- This Regulation does not prejudice further harmonisation, where necessary, of national laws in the field of unfair competition including aspects of business to business relationships. In the absence of such uniform Community provisions relating to unfair trade practices, businesses developing commercial communications and sales promotions in the Internal Market shall abide by the principles of fair competition in Business to Business relationships, in particular with regard to SMEs.
- (3) The use and communication of sales promotions contribute to the growth and development of all businesses in the Community; they are particularly important tools for small and medium-sized enterprises who can benefit from such affordable practices as inputs and outputs to develop their cross-border activities; such promotions therefore stimulate competitiveness in the European economy and accordingly allow consumers to benefit from greater choice and competitive prices.
- (4) Community law and the characteristics of the Community legal order are a vital asset to enable European citizens and operators to take full advantage, without consideration of borders, of the opportunities offered by the use and communication of sales promotions. This Regulation therefore has the purpose of ensuring a high level of Community legal integration in order to establish a real area without internal borders for the use and communication of sales promotions and of ensuring a high level of consumer protection.
- (5) The use and communication of sales promotions within the Community is hampered by numerous identified legal obstacles ⁴ to the proper functioning of the Internal Market which make less attractive the exercise of the freedom of establishment and the freedom to provide services; these obstacles arise from divergences in legislation and from the legal uncertainty as to which national rules apply to the use and communication of sales promotions; a relatively narrowly defined set of rules on sales promotions are giving rise to a multiplicity of Internal Market barriers affecting a wide range of businesses. The removal of these barriers will facilitate the free movement of goods associated with the sales promotion.

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⁴ Green paper on "Commercial communications in the Internal Market": doc. 12613/01.

- (6) In the absence of uniform rules at Community level, obstacles to cross-border services and goods or the freedom of establishment might be justified in the light of the case-law of the Court of Justice as long as they seek to protect recognised public interest objectives and are proportionate to those objectives; in the light of Community objectives, of the provisions, in particular articles 28, 43 and 49 of the Treaty relating to free movement, of secondary Community law, and in accordance with the Commission's policy on commercial communications ⁵, such obstacles can only be eliminated by establishing uniform rules at Community level and by clarifying certain legal concepts at Community level to the extent necessary for the proper functioning of the Internal Market; other restrictions have been identified as requiring replacement by less restrictive measures; remaining restrictions relating to the use and communication of sales promotions should be submitted to the principle of mutual recognition of national legislation.
- (7) Given the specific nature of the problems to be addressed, in particular, the need to tackle in a very targeted manner a small number of issues, which affect a wide variety of services, there is a need to establish through a Regulation a few precise, unconditional and uniform Community requirements. The use of a Regulation strengthens legal security, in particular, for recipients of sales promotions and small and medium-sized companies.
- (8) This Regulation covers discounts, free gifts, premiums, promotional contests and promotional games which are all "temporary" in nature. <u>It also covers non-time limited loyalty programmes.</u> It does not [...] cover long term price cuts. [...]
- (9) This Regulation does not cover or affect national rules that set conditions for seasonal, clearance or closing down sales except in so far as such rules restrict the offer of discounts.

[&]quot;The follow-up to the Green paper on Commercial Communications in the Internal Market" Communication from the Commission: doc. 10045/02.

- the sale of goods or services, other than gambling activities. This Regulation imposes that participation in promotional games must not be subject to purchase. This Regulation does not cover gambling activities, such as games of chance, lotteries and betting transactions, which involves wagering a stake with monetary value, from the scope of application. Companies involved in TV games and games in the written press are considered as gambling activities where the persons taking part in the operation make a payment or consideration.
- (11) This Regulation applies without prejudice to cartel law governing agreements or practices, which contain specific provisions concerning the press.
- Internal Market, this Regulation is fully consistent with the need to respect the principle of subsidiarity as set out in Article 5 of the Treaty. In accordance with the principle of proportionality and the Commission's policy on commercial communications, which through the work of the Expert Group on commercial communications, has sought to apply this principle in as transparent and precise a manner as possible, the measures provided for in this Regulation are strictly limited to the minimum needed to achieve the objective of the proper functioning of the internal market; where action at Community level is necessary, and in order to guarantee an area which is truly without internal frontiers as far as sales promotions are concerned, the Regulation must ensure a high level of protection of objectives of general interest, in particular the protection of minors, consumer protection and in that context fair trading and the protection of public health.
- (12 bis) This Regulation harmonises provisions relating to the use and commercial communication of sales promotions. It does not cover the application of other rules and regulations on the contents of commercial communications in so far these do not relate to sales promotions as defined in this Regulation (e.g. rules on television advertising to children).

This Regulation does not affect the Community acquis, which is applicable to the use and (13)communication of sales promotions, which covers, in particular, Council Directive 84/450/EEC concerning misleading advertising and comparative advertising ⁶, Council Directive 85/374/EEC of 25 July 1985 on the approximation of the laws, regulations and administrative provisions of the Member States concerning liability for defective products ⁷, Council Directive 89/552/EEC concerning the pursuit of television broadcasting activities 8, Council Directive 92/59/EEC on general product safety 9, Directive 95/46/EC of the European Parliament and of the Council on the protection of individuals with regard to the processing of personal data and on the free movement of such data ¹⁰. Directive 97/66/EC of the European Parliament and of the Council concerning the processing of personal data and the protection of privacy in the telecommunications sector ¹¹, Directive 98/6/EC of the European Parliament and of the Council on consumer protection in the indication of prices of products offered to consumers ¹², Directive 98/27/EC of the European Parliament and of the Council on injunctions for the protection of consumers' interests ¹³, Directive 1999/44/EC of the European Parliament and of the Council on certain aspects of the sale of consumer goods and associated guarantees ¹⁴, Council Recommendation on the Drinking of alcohol by young people, in particular children and adolescents ¹⁵ and Directive 2000/31/EC of the European Parliament and of the Council on electronic commerce ¹⁶.

⁶ OJ L 250, 19.09.1984, p.17. Directive as amended by Directive 97/55/EC of the European Parliament and of the Council (OJ L 290, 23.10.1997, p.18).

OJ L 210, 07.08.1985, p. 29. Directive as amended by Directive 99/34/CE (OJ L 141, 04.06.1999, p.20).

⁸ OJ L 298, 17.10.1989, p.23. Directive as amended by Directive 97/36/EC (OJ L 202, 30.07.1997, p. 60).

⁹ OJ L 228, 11.08.1992, p.24.

OJ L 281, 23.11.1995, p.31.

OJ L 24, 30.01.1998, p.1.

OJ L 80, 18.03.1998, p.27.

¹³ OJ L 166, 11.06.1998, p.51. Directive as amended by Directive 2000/31/EC (OJ L 178, 17.02.2000, p.1).

¹⁴ OJ L 171, 07.07.1999, p.12.

¹⁵ OJ L 161, 16.06.2001, p.38.

¹⁶ OJ L 178, 17.07.2000, p.1.

- (13a) For purposes of enforcement this Regulation has strong complementary links with Council Directive 84/450/EEC; non compliance with the information requirements of this Regulation shall be considered as breaches of the ban on misleading advertising established by Council Directive 84/450/EEC.
- This Regulation provides for a high level of consumer protection in order to enhance trust and confidence in the Internal Market for sales promotions by setting down a detailed number of information requirements; these provisions ensure that the commercial communications relating to sales promotions are transparent and that recipient interested in a communicated sales promotion will be able to easily obtain all the relevant information announced in that communication. In view of the need to protect minors and public health, it also makes the use and commercial communication of sales promotions subject to a number of harmonised targeted bans and precise restrictions;
- (14a) By derogation to the obligation to provide in each commercial communication the detailed information listed in sections 1.1., 2.1., 3.1. and 4.1. of the Annex, the promoter is allowed to provide this detailed information across various commercial communications on condition that he ensures that the recipient effectively receives all this information prior to taking up the offer of the sales promotion. For example, these conditions will be met if the promoter, when his billboard advertising does not contain all the information required in section 2.1. on discounts in a sale, ensures that in the store, the shelf displays or labels or leaflets that are effectively accessible to recipients provide all the remaining information. This derogation does not apply to the two information requirements provided in section 1.1. indents 3 and 4 of the Annex on the duration of the offer and an indication of where terms and conditions can be obtained. These two information requirements must be provided in each and every commercial communication.
- (15) The requirement preventing Member States from imposing prohibitions on the use or commercial communication of a sales promotion may apply only to those prohibitions that relate to sales-promoting activities generally.

- (15a) This regulation does not apply to restrictions by Member States in relation to the use and commercial communication of sales promotions for the marketing of medicinal products for human or veterinary use, whether or not subject to a prescription.
- Sales promotions for the regulated professions are excluded from the scope of this

 Regulation. Such sales promotions are subject to compliance with the professional rules regarding, in particular, the independence, dignity and honour of the profession, professional secrecy and fairness towards clients and other members of the profession as laid down in respect of Community law. The Member States and the Commission encourage professional associations and bodies to establish codes of conduct at Community level in order to regulate sales promotions in conformity with these professional rules and Community law.
- (16) The heightened protection that the Regulation provides by the establishment of these uniform rules allows for the removal of certain national bans or limitations. This removal is necessary to eliminate the barriers to establishment and the export of services as well as the substantial distortions of competition that they give rise to; other cross-border barriers to the use and commercial communication of sales promotions are submitted to the application of the principle of mutual recognition of national legislation; requirements at national level which are subject to mutual recognition cover only those relating to the use of sales promotions or references to them in commercial communications and not general requirements on advertising such as those relating to health and ethical claims, advertising for certain products and services, nor requirements relating to other marketing practices.
- (17) This Regulation, in order to protect the health of children, prohibits promoters of free gifts or premiums from providing promotional products or promotional services directly to children unless the promoters ensure that such products or services are not of a nature such that they could harm a child's health.

- (18)In view of the recognised need for reasons of public health to prevent inciting children and adolescents to drink alcoholic beverages; given the objective underlying the use of sales promotions which is to encourage consumption of promoted products and services, this Regulation bans the offer of a free gift premium or a prize awarded in a promotional contest or a promotional game consisting of an [...] alcoholic beverage [...] to individuals under the age of 18.
- (18 bis) Member States with stricter provisions on use and commercial communication of sales promotions for alcoholic beverages, such as outright bans for certain such beverages or bans on "happy hours", may continue to apply these in conformity with the provisions of this Regulation.
- (19)Commercial communications of sales promotions for tobacco products and restrictions thereon are addressed in Directive .../.../CE [on advertising and sponsorship of tobacco products 17. Rules on the use and commercial communication of tobacco products are therefore excluded from the scope of this Regulation. [...]
- (20)This regulation lays down a number of obligations on promoters to ensure that, in the event of them breaching obligations relating to the use and communication of sales promotions, complainants will be able to identify the promoter and have easy access to in-house redress systems; the provisions of this Regulation will also encourage best-practice in the field of in-house customer complaint schemes as well as promote and facilitate the access to affordable out of-court redress schemes.
- (21) Complainants may make use of the full range of out-of-court mechanisms including conciliation, mediation and self-regulatory arrangements like those in the advertising sector and, in appropriate cases, cross border complainants may be able to access such schemes through the European Extra-judicial Network (EEJ-Net).

¹⁷ OJ

- (22) For purposes of achieving the Internal Market for commercial communications of which this Regulation is the first step, the work of the Expert Group on Commercial Communications will be accelerated in the other areas that the Commission recognised as requiring priority attention in its 1998 Communication.
- (23) This instrument demonstrates how targeted and complete harmonisation can be achieved by reliance on a regulation that offers full legal security.

HAVE ADOPTED THIS REGULATION:

Article 1

Object and scope

- 1. This Regulation establishes rules concerning the use and commercial communication of sales promotions in order to ensure the proper functioning of the internal market taking as a basis a high level of health and consumer protection.
- 2. This Regulation shall not cover conditions in national laws relating to seasonal, clearance or closing down sales except in so far as such rules restrict the offer of discounts nor shall it cover the use and commercial communication of:
 - sales below cost;
 - sales promotions of pharmaceuticals for human and animal use as well as medical tests, in vitro medical tests, organs and tissue of human origin, blood and blood derivatives;
 - sales promotions by the regulated professions; and
 - sales promotions in respect of tobacco products.

Article 2

Definitions

For the purposes of this Regulation:

- (a) "commercial communication" means any form of communication designed to promote, directly or indirectly, the goods, services or image of a company, organisation or natural person_pursuing a commercial, industrial or craft activity or exercising a regulated profession. The following do not constitute commercial communications:
 - information allowing direct access to the activity of the company, organisation or natural person in particular a domain name or an electronic-mail address; and
 - communications relating to the goods, services or image of the company, organisation or natural person_compiled in an independent manner, particularly when this is without financial consideration;
- (b) "sales promotion" means a discount, a free gift, a premium or a promotional contest or game.

It also includes non-time limited loyalty programmes;

- (c) "promoter" means a user of a sales promotion, meaning any company, organisation or natural person by whom or on whose behalf a sales promotion is undertaken;
- (d) "recipient" means any company, organisation or natural person who, for professional ends or otherwise, receives the commercial communication of a sales promotion;
- (dd) [...]
- (e) "discount' means the [temporary] offer of:
 - a price reduction;
 - an additional quantity of the identical good or service purchased which is offered at no additional cost to the purchaser;
 - a coupon or voucher entitling a purchaser of a good or service to a reduction on the price of an identical good or service on a subsequent purchase;

- (f) "free gift" means the [temporary] offer to provide free of charge a good or service independently of any obligation to purchase;
- (g) "premium" means the temporary offer to provide a good or service of a type which is not identical to the good or service with which it is offered for purchase.
- (h) "promotional contest" means the temporary offer to participate in a contest in which the winner is designated exclusively by means of skill and the purpose of which is to encourage the sale of goods or services;
- (i) "promotional game " means the temporary offer to participate in a game, in which the winner is designated by any element of chance and the purpose of which is to encourage the sale of goods or services. Such promotional games shall not include gambling activities which involve wagering a stake with monetary value in games of chance, including lotteries and betting transactions; <a href="Such promotional games shall not include TV games and games in the written press where the persons taking part in the operation make a payment or consideration."
- (j) "child" means a natural person under the age of 14 years;
- (k) "alcoholic beverages" means alcoholic beverages within the meaning of Articles 2, 8, 12, 17 and 19 of Directive 92/83/EEC;
- (l) "general prohibition on the use or commercial communication of a sales promotion" means a prohibition that is not specific to a particular type of promoted good or service;
- (m) "non-public regulatory body" means an organisation or association not governed by public law, exercising its legal autonomy to regulate in a collective manner economic activities;
- (n) "sale below cost" means a discount consisting of a sale of a product or service by a retailer below the retailer's net invoice price inclusive of carriage, insurance and other delivery costs as well as tax;

- (o) "tobacco products" means tobacco products as defined by Article 2 of Directive 2001/37/EC;
- (p) "information society services" means services as defined by Article 1 of Directive 98/34/EC as amended by Directive 98/48/EC; and
- (q) "reference price" means the <u>lowest</u> price that is applied [...] to the promoted good or service <u>in the course of the 30 days</u> [...] immediately preceding the sales promotion.

(r) "commercial value" of a free gift, premium or prize is either its price or the price that a recipient would have to pay for a comparable product or service.

Article 3

The use and commercial communication of sales promotions

- 1. Member States or non-public regulatory bodies shall not impose:
 - a general prohibition on the use or commercial communication of a sales promotion unless required by Community law,
 - a limitation on the value of a sales promotion, except for discounts on books and printed press products; or
 - a requirement to obtain prior authorisation, or any requirement having equivalent effect, for the use or commercial communication of a sales promotion.
- Member States or non-public regulatory bodies shall neither restrict the freedom to provide services nor restrict the free movement of goods benefiting from the use of sales promotions on the grounds of the use of sales promotions and references to them in commercial communication.

[...]

3. This Regulation is without prejudice to cartel law governing agreements or practices.

Article 4

Information to be provided in respect of sales promotions

- 1. The promoter shall ensure that the commercial communication of a sales promotion complies with the requirements set out at Annex to this Regulation. All the information requirements set out in Annex shall be provided in a clear and unambiguous manner. The information that the promoter must make available to the recipient on request must be available from the start of the relevant sales promotion.
- 2. The promoter may derogate from the obligation to provide all the information in the commercial communication set out in sections 1.1. indents 1, 2 and 5, 2.1., 3.1. and 4.1. of the Annex on condition that he ensures that all this information is otherwise made available to the recipient without the recipient having to ask for it and whether or not the recipient takes up the offer.

Article 5

Protection of children and adolescents

- 1. A promoter, when making a sales promotion, shall not collect personal data from a child.
- 2. A promoter is prohibited from providing [...] to a child a free gift, a premium or a prize awarded in a promotional contest or a promotional game if it is of a nature [...] that might seriously impair its physical, mental or moral development.
- 3. A promoter is prohibited from providing a free gift, premium or a prize awarded in a promotional contest or a promotional game consisting of an alcoholic beverage to individuals under the age of 18.

[...]

Article 5 ter

Promotional games

Promoters shall not be permitted to offer a promotional game in which <u>individual prizes exceed</u> one hundred thousand euros <u>and the total value of the prizes is greater than 1 % of the annual turnover of the promoted product or service in the European Union.</u>

Participation in promotional games must not be linked to purchase in that a recipient who does not purchase the promoted product and service may participate in the game. No additional participation cost may be charged for such promotional game.

The prizes described in the commercial communication of a promotional game shall be awarded to the winners designated according to the selection procedure within 6 months of the date of the results.

Article 5 quater

Prohibitions related to the content of a sales promotion

Sales promotions shall not contain any incitement to hatred on grounds of race, sex, religion or nationality.

Article 6

Redress

1. A promoter shall at the request of a court or administrative authority, provide evidence as to the accuracy of the information referred to in Article 4.

- 2. A promoter shall provide, free of charge, an address to which complaints can be directed to him. Where a promoter provides an advice service by telephone or via an information society service in connection with a sales promotion, the promoter shall ensure that this is provided either free of charge or at a standard, non-premium tariff and that appropriate resources are dedicated to its operation.
- 3. A promoter shall respond to an initial complaint relating to a sales promotion, within four weeks of the promoter's receipt of that complaint. The initial complaint and the response shall be in writing, which may include by electronic means. The response shall be in the language of the communication of the sales promotion.
- 4. In the event of disagreement between a promoter and a recipient, Member States shall **encourage** the use of out-of-court schemes, available under national law, for dispute settlement-and their operations in a way which provides adequate procedural guarantees for the parties concerned.

5. Directive 98/27/EC shall be supplemented as follows:

- Article 1.2: The term "and Regulations" should be added after the term "directives".
- Annex: "12. Regulation X/X/EC of the European Parliament and of the Council of X/X concerning sales promotions in the Internal Market."

Article 6 bis

Compliance with this Regulation

Compliance with this Regulation shall be guaranteed by effective, proportionate and deterrent sanctions.

Article 7

Revision clause

Not later than * [two years of the entry into force of this Regulation], the Commission shall submit to the European Parliament and the Council a comprehensive impact assessment report on the application of the Regulation, accompanied, if appropriate, with a proposal for its revision.

This report shall include an assessment of the impact of sales promotions law on both consumers and business in the European Community.

[...]

Article 8

This Regulation shall enter into force on 1 January 2005.

This Regulation shall be binding in its entirety and directly applicable in all Member States.

Done at Brussels, []

For the European Parliament For the Council
The President [] The President []

Information to be provided in respect to the use and the commercial communication of sales promotions.

1. ALL SALES PROMOTIONS

1.1. Information to be provided in the commercial communication:

- the price (inclusive of taxes) of the promoted good or service and any additional costs associated with freight, delivery or postage;
- the promoter's name and address;
- the start date of the offer and either the end date, the quantity of the promoted good or service available or, where neither is possible, an indication that that quantity is limited:
- where the offer is subject to conditions, an indication of where these conditions or any other information can be obtained; and
- any out-of-court dispute settlement system or code of conduct that the promoter subscribes to.

1.2. Information to be made available on request unconditional on purchase of the promoted good or service:

- information concerning any dispute settlement system or code of conduct.

2. DISCOUNTS

2.1 Information to be provided in the commercial communication:

- the exact amount of the discount; and
- the reference price [...].

2.2. Information to be made available on request unconditional on purchase of the promoted product or service:

- any conditions or limitations applicable to the discount; and
- where the good or service in question has previously been bundled and/or
 distributed in a format that prevents a direct price comparison with the promotional
 offer, the basis for assessing the pre-discount price.

2.3. Information to be made available on a coupon or voucher:

- the redemption value of the coupon or voucher, which may be a good or service, or where the coupon or voucher can be exchanged for cash, the cash value; and
- any limitation on its use including its expiry date.

3. FREE GIFTS AND PREMIUMS

3.1. Information to be provided in the commercial communication:

- the commercial value of the free gift **or** premium [...]; and
- any costs associated with obtaining the free gift or premium.

3.2. Information to be made available on request on purchase of the promoted product or service:

- any conditions or limitations applicable to the free gift or premium.

4. PROMOTIONAL CONTESTS AND PROMOTIONAL GAMES

4.1. Information to be provided in the commercial communication:

- the commercial value of the prize [...];
- the closing date for receipt of entries;
- any geographical or personal restrictions such as location or age;
- any need to obtain permission to enter from an adult or employer;
- any additional participation costs other than the purchase of the promoted good or service;
- in the case of a promotional game, sufficient information for any participant in the promotion to understand their likely chance of winning.
- the number of prizes which may be won and the number of prizes of any one type if more than one type of prize is on offer; and
- the date of the results and the manner in which they are to be announced.

4.2. Information to be made available on request unconditional on purchase of the promoted product or service:

- any conditions applicable to the promotional contest or game including any limitations on entries or prizes;
- the rules governing who is eligible to participate and the award of prizes;
- the criteria for judging entries;

- the selection procedure for the award of prizes and, where the selection is made by jury, the composition of the jury;
- the means by which prizes may be delivered or collected and any associated costs;
- the time period during which prizes must be collected;
- any intention and conditions to use winners in post event publicity; and
- details of prize-winning entries subject to the agreement of prize winners and data protection rules.