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Trade Mark Restrictions Under the TRIPS Agreement: The WTO Panel Findings on Australia's Tobacco Plain Packaging Legislation

Pratyush Nath UPRETI^{*}

On 28 June 2018, the World Trade Organization (WTO) circulated the Panel Reports of the highly awaited Australia-Tobacco Plain Packaging disputes, adopted by the Dispute Settlement Body (DSB) on 27 August 2018. The decision was highly anticipated and significant in two aspects. First, it reaffirmed that the right to use a trademark is not a positive right; and tobacco plain packaging law does not come in conflict with relevant provisions of the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS). Second, it was perhaps the last opportunity for giant tobacco companies to set aside the law related to tobacco plain packaging. This article aims to analyse trade mark issues related to the Panel Reports on Australia's tobacco plain packaging. The first section will provide a general background and briefly summarize the main findings of the Panel Reports. The second section will analyse the main arguments of parties and the Panel findings on the trade mark issues. Finally, the last section presents the most significant lessons and questions that require further attention.

1 INTRODUCTION

On 28 June 2018, the World Trade Organization (WTO) circulated the Panel Reports of the highly awaited *Australia-Tobacco Plain Packaging*¹ disputes, adopted by the Dispute Settlement Body (DSB) on 27 August 2018. The decision was highly anticipated and significant on two accounts. First, it reaffirmed that the right to use trade mark is not a positive right and tobacco plain packaging law does not come in conflict with relevant provisions of the Agreement on Trade-Related

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¹ Panel Reports, *Australia-Certain Measures Concerning Trademarks, Geographical Indications and Other Plain Packaging Requirements Applicable to Tobacco Products and Packaging* (WT/DS435/R, WT/DS441/R, WT/DS458, WT/DS467/R) circulated on 28 June 2018. (here after *Australia-Tobacco Plain Packaging*).

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Aspects of Intellectual Property Rights (TRIPS)² related to trade marks. Second, it was perhaps the last opportunity for giant tobacco companies to set aside the law related to tobacco plain packaging. Globally, tobacco companies have challenged plain packaging law both at the national and international level. There have been thirty-nine international cases connected with plain packaging in different forums.³ Moreover, tobacco companies have used government agencies to put pressure on less economically developed countries to discourage plain packaging legislation.⁴ After unsuccessful attempts in domestic courts, the tobacco companies turned to investor-state dispute settlement (ISDS) to challenge plain packaging legislation. One such instance is *Philip Morris v. Uruguay*⁵ under Switzerland-Uruguay Bilateral Investment Treaty (BIT), where the arbitral tribunal dismissed tobacco giant Philip Morris' argument that the plain packaging requirement resulted in the expropriation of investment and led to substantial destruction of the value of the tobacco company.⁶ The tribunal reaffirmed a nation's sovereign right to regulate matters of public interest, finding that measures aimed at safeguarding public health do not amount to expropriation and a violation of fair and equitable treatment under international investment law.⁷ Similarly, after losing the case against plain packaging legislation in Australian courts, Philip Morris Australia (PMA) initiated investment arbitration under the Australia-Hong Kong BIT.⁸ Later, the case was dismissed on jurisdiction, confirming PMA arbitration claims constituted an abuse of rights.⁹ After unsuccessful several attempts in national courts and investment

² Agreement on Trade-Related Aspects of Intellectual Property Rights, 15 Apr. 1994, in the Marrakesh Agreement Establishing the World Trade Organization, Annex 1C (1994) (hereafter TRIPS).

³ Sergio Puig, *Tobacco Litigation in International Courts*, 57 Harv. Int'l LJ 393 (2016).

⁴ For an example, during the drafting of plain packaging policy in Nepal, the representative of the US Chamber of Commerce warned Nepal not to devise strict anti-tobacco measures on the ground that such measure 'would negate foreign direct investment' and 'invite instability'. See Danny Hakim, *U.S. Chamber of Commerce Works Globally to Fight Antismoking* (The New York Times, 30 June 2015), <https://www.nytimes.com/2015/07/01/business/international/us-chamber-works-globally-to-fight-antismoking-measures.html> (accessed 14 Sept. 2019). See Pratyush Nath Upreti, *Politics of Smoke*, The Republica (20 July 2015), <http://admin.myrepublica.com/opinion/story/24832/politics-of-smoke.html> (accessed 12 Sept. 2019).

⁵ *Philip Morris Brands Sarl, Philip Morris Products S.A and Abal Hermanos S.A v. Oriental Republic of Uruguay*, ICSID Case No: ARB/10/07. See Pratyush Nath Upreti, *Philip Morris Uruguay: A Breathing Space for Domestic IP Regulation*, 40(4) Eur. Intell. Prop. Rev. 277–284 (2018). For a general discussion on intellectual property and investor state dispute settlement interaction, see *Research Handbook on Intellectual Property and Investment Law* (Christophe Geiger ed., Cheltenham/UK, Edward Elgar Publishing, 2020).

⁶ Upreti, *supra* n. 5.

⁷ *Ibid.*

⁸ *Philip Morris Asia Limited v. The Commonwealth of Australia*, UNCITRAL, PCA Case No. 2012–12 (17 Dec. 2015, Award on Jurisdiction and Admissibility).

⁹ *Ibid.*, para. 588 ('the Tribunal cannot but conclude that the initiate of this arbitration constitutes an abuse of rights, as the corporate restructuring by which the Claimant acquired the Australian subsidiaries occurred at a time when there was a reasonable prospect that the dispute would materialise and as it was carried out for the principle, if not sole, purpose of gaining treaty protection').

arbitration, the WTO dispute settlement process was the only hope for tobacco companies seeking to prevail over plain packaging laws.

Although the dispute settlement body is a state-to-state dispute settlement, one cannot ignore the role of tobacco companies behind bringing plain packaging disputes in the WTO.¹⁰ The Panel in *Australia-Tobacco Plain Packaging* decided in favour of Australia, having found that Australia's plain packaging measures are consistent with the Agreement on Technical Barriers to Trade (TBT)¹¹ and the TRIPS and the General Agreement on Tariffs and Trade (GATT).¹² The Panel Report was appealed by Honduras and the Dominican Republic on several grounds. The notice of appeal showed Honduras¹³ and the Dominican Republic¹⁴ were not pleased with the Panel's interpretation of the term 'rights conferred' and 'unjustifiably' under Article 16.1 and 20 TRIPS Agreement respectively. However, it seems that both Honduras and the Dominican Republic could agree on the Panel's findings on Article 15.4.¹⁵ As Australia, Cuba, and Indonesia did not appeal, the Panel Reports already have legal force following their adoption. In general, appeals are likely not to exceed ninety days¹⁶; however, considering the 'exceptional size and complexity of the consolidated proceedings, size of the Panel Report'¹⁷ and 'reduced number of Appellate Body'¹⁸ may delay the decision.¹⁹

This article will explore trade mark issues raised in the case. The first section will provide a general background and briefly summarize the main findings of the Panel Reports. Second, it will analyse the main arguments of the parties and the

¹⁰ Andrew Martin, *Philip Morris Leads Plain Packs Battle in Global Trade Arena* (Bloomberg, 22 Aug. 2013) <https://www.bloomberg.com/news/articles/2013-08-22/philip-morris-leads-plain-packs-battle-in-global-trade-arena> (accessed 11 June 2019). For general discussion on the role of private actors in lobbying to bring a case in WTO, see Jeheung Ryu & Randall W. Stone, *Plaintiffs by Proxy: A Firm-Level Approach to WTO Dispute Resolution*, 13(2) *The Rev. Int'l Org.* 273–308 (2018).

¹¹ WTO Agreement on Technical Barriers to Trade, opened for signature 15 Apr. 1994, 1867 UNTS 3 (entered into force 1 Jan. 1995) annex 1C (here after TBT Agreement).

¹² GATT Doc LT/UR/A-1/A/1/GATT/2, Signed 30 Oct. 1947, as incorporated in the Marrakesh Agreement Establishing the World Trade Organization, 15 Apr. 1994, 1867 UNTS 3 (entered into force 1 Jan. 1995) annex 1A ('General Agreement on Tariffs and Trade 1994') (GATT 1994).

¹³ See Notice of an Appeal by Honduras (WT/DS435/23) https://www.wto.org/english/news_e/news18_e/ds435apl_19jul18_e.htm (accessed 10 June 2019).

¹⁴ See Notice of an Appeal by the Dominican Republic (WT/DS441/23) https://www.wto.org/english/news_e/news18_e/ds441apl_23aug18_e.htm (accessed 10 June 2019).

¹⁵ TRIPS, *supra* n. 2, Art. 15.4 mainly deals with 'the nature of the goods or services to which a trade mark is to be applied shall in no case form an obstacle to registration of the trade mark'.

¹⁶ WTO Dispute Settlement Understanding, Art. 17.5.

¹⁷ See WTO, *Australia-Certain Measures Concerning Trademarks, Geographical Indications and Other Plain Packaging Requirements Applicable to Tobacco Products and Packaging*: Communication from the Appellate Body (WT/DS435/24, WT/DS441/25).

¹⁸ *Ibid.* See *U.S. Blocks WTO Judge Reappointment as Dispute Settlement Crisis Looms* (Reuters 27 Aug. 2018) <https://www.reuters.com/article/us-usa-trade-wto/u-s-blocks-wto-judge-reappointment-as-dispute-settlement-crisis-looms-idUSKCN1LC19O> (accessed 19 Sept. 2019).

¹⁹ At the time of writing, the appeal proceeding has begun.

Panel findings on the trade mark. Finally, the last section presents some discussions and questions which require further attention.

2 BACKGROUND TO THE CASE & MAIN FINDINGS OF THE PANEL REPORTS

On 21 May 2003, the World Health Assembly adopted the World Health Organization Framework Convention on Tobacco Control (WHO FCTC), an evidence-based treaty that legally binds ratifying countries to 'reaffirm the right of all people to the highest standards of health'.²⁰ The Convention and its protocol aims 'to protect present and future generations from the devastating health, social, environmental and economic consequences of tobacco consumption and exposure to tobacco smoke'.²¹ To do this, it calls on members to enact a set of rules stating the dangers of tobacco and limiting its use in all forms worldwide.²² Therefore, the Convention operates to:

prohibit all forms of tobacco advertising, promotion and sponsorship that promote a tobacco product by any means that are false, misleading or deceptive or likely to create an erroneous impression about its characteristics, health effects, hazards or emissions.²³

Based on the WHO FCTC, Australia enacted the Tobacco Plain Packaging Act 2011 [hereafter TPP Act] designed to control increasing tobacco consumption by packaging and labelling of tobacco products with a health warning in the form or include pictures or pictograms. The TPP Act prohibits the appearance of trade marks and marks anywhere on the retail packaging of tobacco products. However, the TPP Act exempts brand name, business or company name, a variant name for tobacco products, allowed in a prescribed manner as they appear on the retail packaging of tobacco products.²⁴ Similarly, the TPP Act required that the orientation of the name on the package must be in a prescribed manner. Moreover, the TPP Act dictates the specifications for the physical features of tobacco packaging for retail sales, the requirement of cigarette packs, cigarette cartons, cigar tubes and any other forms for packaging.²⁵ In addition, the TPP requires a mandatory health warning, including textual and graphic warnings covering 75% of the front surface and 90% of the back surface of cigarette packs and cartons.²⁶

²⁰ WHO Framework Convention on Tobacco Control, 2003 (entered into force 27 Feb. 2005), Preamble.

²¹ *Ibid.*, Art. 3.

²² Upreti, *supra* n. 5.

²³ WHO Framework Convention on Tobacco Control, *supra* n. 20, Art. 13.4(a).

²⁴ Tobacco Plain Packaging Act 2011 (hereafter TPP Act) s. 20–21.

²⁵ See *Australia-Tobacco Plain Packaging*, *supra* n. 1, para. 2.1.2.3 titled 'Requirement of retail packaging of tobacco products'.

²⁶ *Ibid.*, para. 2.54.

Several countries reached out to the WTO to challenge Australia's law. The first was Ukraine, in 2012 (although it later withdrew its complaint), followed by Honduras, the Dominican Republic. In 2013 Cuba and Indonesia filed a complaint against Australia's TPP Act. The main contention was that the TPP Act is inconsistent with Australia's obligations under the TBT, TRIPS and the GATT Agreements. In a lengthy 888-page Reports,²⁷ the Panel examined issues in rigorous detail. Taking into account the length of the Panel Reports, it is not possible to analyse each and every aspect of the Reports. Therefore, this section will briefly touch upon some important findings of the Panel Reports. A more detailed discussion on trade marks will follow in the next section.

2.1 WHETHER THE OBJECTIVE PURSUED BY AUSTRALIA THROUGH THE TPP MEASURES IS A LEGITIMATE OBJECTIVE WITHIN THE MEANING OF ARTICLE 2.2 OF TBT?

The Panel acknowledged that Australia's TPP measure was aimed at the 'improvement of public health by reducing the use of, and exposure to, tobacco products'.²⁸ After analysing jurisprudence on public health where the previous WTO Appellate Body has recognized 'curbing and preventing youth smoking'²⁹ as a legitimate health objective, the Panel found that 'protection of human health or safety'³⁰ is one of the legitimate objectives explicitly identified in Article 2.2.³¹ Further emphasized that 'in the context of Article XX (b) of the GATT 1994, the preservation of human life and health through the elimination or reduction of well-known and life-threatening health risk was considered to be a value which is 'both vital and important in the highest degree'.³² The Panel concluded that 'tobacco use and exposure to tobacco smoke cause death and disease'³³ is an undisputed fact. Therefore, it found that protecting human health from tobacco-related risks is a legitimate public health objective within the meaning of Article 2.2 of the TBT Agreement.³⁴

²⁷ In addition to the 888-page Panel, there are 225 pages of addendum and 150 pages of appendices.

²⁸ *Australia-Tobacco Plain Packaging*, *supra* n. 1, para. 7.246.

²⁹ *Ibid.*, para. 7.250; see Appellate Body Report, *United States-Measures Affecting the Production and Sale of Clove Cigarettes* (WT/DS496/AB/R) para. 356.

³⁰ *Australia-Tobacco Plain Packaging*, *supra* n. 1, para. 7.247.

³¹ TBT, *supra* n. 11, Art. 2.2: 'Members shall ensure that technical regulations are not prepared, adopted or applied with a view to or with the effect of creating unnecessary obstacles to international trade. For this purpose, technical regulations shall not be more trade-restrictive than necessary to fulfil a legitimate objective, taking account of the risks non-fulfilment would create. Such legitimate objectives are, inter alia: national security requirements; the prevention of deceptive practices; protection of human health or safety, animal or plant life or health, or the environment.'

³² *Ibid.*

³³ *Ibid.*, para. 7.248.

³⁴ *Ibid.*

2.2 WHETHER THE MEASURES CONTRIBUTED TO THE TPP OBJECTIVES?

The Panel found that the TPP measures support and contribute to the objectives of the TPP Act. The Panel analysed different studies presented by the parties. The complainants argued that the TPP measures do not contribute to the objectives of improving public health by reducing the use of and exposure to tobacco products. However, the Panel found that studies address the anticipated impact of plain packaging as identified in the TPP Act and observed that:

literature has been found largely to converge towards a conclusion that plain packaging of tobacco products has the capacity to reduce the appeal of tobacco products, increase the effectiveness of health warning [emphasis added], and reduce the ability of the pack to mislead consumers about the harmful effects of smoking.³⁵

Moreover, the Panel took into account Australia's evidence showing that tobacco is 'a unique, highly addictive, and deadly product and the only legal consumer product that kills half of its long-term users when used exactly as intended by the manufacturer'.³⁶ In addition, the Panel recognized the gravity of failure in reducing tobacco consumption as a global problem, as endorsed in the WHO FCTC, and the view that 'public health consequences of the use of, and exposure to, tobacco, including in Australia, are particularly grave'.³⁷ Finally, referring to the evidence, the Panel found that 'it is reasonable to expect that reducing the appeal of tobacco products and enhancing clarity about their harmful effects will influence at least some consumers in their smoking behaviors'.³⁸ Thus, the Panel concluded that the TPP measures contribute to the objectives of the TPP Act.

2.3 WHETHER THE TOBACCO PLAIN PACKAGING PER SE IS TRADE RESTRICTIVE?

Australia argued that the trade restrictive test under Article 2.2 of the TBT must be assessed based on the effect of the TPP measures on international trade with all WTO Members taken as a whole.³⁹ The Panel declined to take this position, and instead found that such a broad interpretation would 'diminish the rights of Members under Article 2.2 of TBT'.⁴⁰ The Panel agreed with the complainants and took note of the 2015 TBT Committee Recommendation⁴¹ to form a conclusion that:

³⁵ *Ibid.*, para. 7.1026.

³⁶ *Ibid.*, para. 7.1298.

³⁷ *Ibid.*, para. 7.1310.

³⁸ *Ibid.*, para. 7.1031.

³⁹ *Ibid.*, para. 7.1077.

⁴⁰ *Ibid.*, para. 7.1078.

⁴¹ WTO, Committee on Technical Barriers to trade, 'Decisions and Recommendations Adopted by the WTO Committee on Technical Barriers to Trade Since 1 Jan. 1995' Note by the Secretariat (G/TBT/1/Rev. 12, 21 Jan. 2015).

[t]he concept of ‘significant effect on trade of other Members’, while not identical to the term ‘trade-restrictive’ as used in Article 2.2, provides relevant context insofar as it sheds light on how the word ‘trade’ is to be understood in the term ‘trade-restrictiveness’ under Article 2.2. Specifically, as noted in the TBT Committee Recommendation, a technical regulation might have different ‘effects’ on trade, including ‘import-enhancing and import-reducing’ effects. One such effect may be to ‘restrict’ trade.⁴²

However, in principle, the Panel found that the TPP measures are trade-restrictive if restricting the use of trade marks on tobacco products reduce the imports of tobacco products into Australia. The Panel found this not to be the case in Australia, therefore the TPP measures are non-trade restrictive.

2.4 WHETHER THE LESS TRADE RESTRICTIVE ALTERNATIVE MEASURES WERE REASONABLY AVAILABLE TO AUSTRALIA TO ACHIEVE THE TPP OBJECTIVES?

Another issue before the Panel was whether alternative measures that are less trade-restrictive existed would make an equivalent contribution to the relevant TPP objective, and are reasonably available to Australia.⁴³ Four proposed alternatives were presented to the Panel: (1) a pre-vetting mechanism, an individualized assessment of each tobacco package and stick, and their elements, before it is allowed on the market in Australia; (2) an increase in taxation of tobacco products; (3) raising the minimum legal purchasing age from 18 to 21 years; and, (4) improved social marketing campaigns. After deliberation, the Panel found that it had not been ‘demonstrated that [proposed alternatives] would constitute a less trade-restrictive alternative measure that would make an equivalent contribution to Australia’s objective, as a substitute for the TPP measures’.⁴⁴ In reaching this conclusion, the Panel relied on the degree of contribution to the TPP objectives achieved by the measures over any of the proposed alternatives.⁴⁵

3 ARGUMENTS OF PARTIES & THE PANEL FINDINGS: FROM TRADE MARKS PERSPECTIVE

The Panel’s findings in *Australia-Tobacco Plain packaging* are not surprising. The Report is amply supported by extensive scholarship.⁴⁶ Nevertheless, an interesting aspect of the case involves the arguments of the parties and the Panel’s interpretation of trade mark related issues.

⁴² *Australia-Tobacco Plain Packaging*, *supra* n. 1, para. 7.1086.

⁴³ See Appellate Body Reports, *United States-Certain Country of Origin Labelling (COOL) Requirements* (WTO/DS384), para. 5.213.

⁴⁴ *Australia-Tobacco Plain Packaging*, *supra* n. 1, para. 7.1726.

⁴⁵ *Ibid.*, para. 7.1727.

⁴⁶ The overwhelming reference of scholarship work cited in the Panel Reports is evident of this.

3.1 ARTICLE 16.1 OF THE TRIPS AGREEMENT

Article 16.1, entitled 'Rights Conferred,' provides:

The owner of a registered trade mark shall have the exclusive right to prevent all third parties not having the owner's consent from using in the course of trade identical or similar sign for goods or services which are identical or similar to those in respect of which the trade mark is registered where such use would result in a likelihood of confusion[...]

The Panel was asked to determine the scope of Article 16.1 in relation to the TPP measures. The complainants argued that the TPP measures reduced the minimum scope of Article 16.1 in two ways. First, complainants linked the 'use and distinctiveness' of trade mark together to argue that the scope of Article 16.1 depends on the trade mark owner's ability to use its mark, which will result in a higher degree of distinctiveness or strength of a mark in the market. Second, the prohibition on the use of certain tobacco-related trade marks will deplete the trade mark distinctiveness and erode the ability of a trade mark owner to 'prevent third parties from using similar or identical marks on similar goods in a manner that creates a likelihood of confusion'.⁴⁷ In other words, the TPP measures reduce the chances in which 'likelihood of confusion' would arise.⁴⁸ Honduras in its submission emphasized that the TPP measures require use of similar signs on similar goods (such as a measure restricting the design image, composite mark, or colour combination) will lose distinctiveness in the eyes of consumers⁴⁹ and such diminution of distinctiveness will undermine the strength of the protection and ultimately turn the original trade mark into a mere paper right without any commercial value.⁵⁰ Likewise, the Dominican Republic state that such use of a mark will no longer perform a source-identifying function, as a result, rights guaranteed on the trade mark in Article 16.1 'drastically diminish or are rendered inutile'.⁵¹ In such a scenario, the owners are not only deprived of using its trade mark but also cannot exclude unauthorized third party, thus making a registered trade mark 'empty shells denuded of the functional attributes of trade marks'.⁵²

The arguments of complainants emphasized that stripping distinctive characteristics of trade marks through plain packaging measures took away the rights enshrined under Article 16.1; that trade mark owners are forced to become both the perpetrator and victim of deceptively similar marks on identical goods and

⁴⁷ *Australia-Tobacco Plain Packaging*, *supra* n. 1, paras 7.1918, 7.1966.

⁴⁸ *Ibid.*, para. 7.1987.

⁴⁹ *Ibid.*, para. 7.1920.

⁵⁰ Honduras Written Submission, para. 239.

⁵¹ *Australia-Tobacco Plain Packaging*, *supra* n. 1, para. 7.1933.

⁵² *Ibid.*

distort the very purpose of intellectual property rights.⁵³ Agreeing with other complainants, Indonesia put forward the same argument in a slightly different way. According to Indonesia, complainants are not directing states to take affirmative steps to ensure the distinctiveness of the mark, but the very fundamental responsibility of the trade mark owner to exercise its 'general market freedom' to strengthen and maintain its mark through use has been deprived through the TPP measures.⁵⁴ In addition, Indonesia asserted that 'people often do not read words carefully or pronounce them distinctly and studies have found that the effect of label design on perceived similarity is over seven times larger than the effect of brand names',⁵⁵ therefore plain packaging without figurative design and colour increases the risk of confusion.

It is worth noting that all parties agreed that TRIPS does not allow absolute or positive rights to use its registered trade mark.⁵⁶ However, Honduras developed an interesting argument that mainly questions if a minimum level of private rights is guaranteed to the trade mark owner. In the words of Honduras:

Article 16 imposes an obligation on Members to guarantee a minimum level of private rights to trade mark owners that allows them to successfully protect the distinctiveness and source-indicating function of their marks in the context of infringement proceedings.⁵⁷

In line with Honduras' arguments, Cuba and Indonesia took the view that although TRIPS may not provide the absolute right to use, it contemplates a minimum opportunity to use a trade mark. Consequently, minimum rights guaranteed under Article 16.1 should be interpreted as a minimum opportunity to use.⁵⁸ On the contrary, Australia posited that the negative nature of the rights conferred in Article 16.1 is in accordance with the object and purpose of the TRIPS Agreement. Responding to complainant's argument regarding the general market freedom of trade mark owners, Australia cited the previous Panel decision in *EC- Trademarks and Geographical Indications*⁵⁹ to argue that:

trademark owner's 'legitimate interest' in using its trade marks must be contrasted with the 'rights conferred by a trade mark', as set forth in Article 16 of the TRIPS Agreement. The 'legitimate interests' of trade mark owners cannot be raised to the level of the 'rights

⁵³ *Ibid.*, para. 7.1943 and *see also* para. 7.1949 (the gradual erosion of the strength of trade marks is an unacceptable destruction of intellectual property, and entirely contrary to the purpose of the TRIPS Agreement.[therefore,] Australia's internal law is tantamount to Australia's outright denial of rights to distinctive marks in violation of its obligations).

⁵⁴ *Ibid.*, para. 7.1952.

⁵⁵ *Ibid.*, para. 7.1953.

⁵⁶ *Ibid.*, paras 7.1923, 7.1971, 7.1966.

⁵⁷ *Ibid.*, para. 7.1924.

⁵⁸ *Ibid.*, para. 7.1966 and *see* Indonesia written submission, paras 71–72.

⁵⁹ *European Communities-Protection of Trademarks and Geographical Indications for Agricultural Products and Foodstuffs* (WT/DS174/R) 15 Mar. 2005. (hereafter *EC-Trademarks and Geographical Indications*).

conferred' by a trade mark". Australia concludes that the ability to use a trade mark is a general market freedom and is not a 'right' that is protected under the TRIPS Agreement.⁶⁰

Likewise, the arguments – that the lack of use of the trade mark would create more likelihood of confusion and that the right to prevent unauthorized use will be diminished – were considered far-fetched.⁶¹ According to Australia, if the complainants' arguments were to be accepted, there would be an obligation under Article 16.1 to affirm 'that a likelihood of confusion arises so that trade mark owners will be able to prevent confusion'.⁶² Furthermore, it was argued that in the absence of no right of confusion guaranteed under Article 16.1, the complainant's arguments would not make sense. Therefore, according to Australia, Article 16.1 cannot be interpreted to include 'a minimum opportunity to use a trade mark', because interpretation should not render a part of the treaty legally redundant.⁶³

The Panel referred to *EC- Trademarks and Geographical Indications*⁶⁴ and *US- Section 211 Appropriations Act*⁶⁵ to reaffirm the scope of Article 16.1. The Panel clarified that Article 16.1 does not provide any party the right to use its registered trade mark. Rather, it allows the owner of registered trade mark rights to prevent the activities of authorized third parties under the condition set out in the Article.⁶⁶ In the Panel's view, to show that Australia violated Article 16.1, the complainants would need to establish that the trade mark owner does not have the right to prevent third-party activities under the Australian trade mark legal framework.⁶⁷ Further, the Panel observed that the right of the registered trade mark owner is derived from the very domestic legislation that prohibits unauthorized use. Therefore, any claim diverting from Article 16.1 must be proved that

⁶⁰ *Australia-Tobacco Plain Packaging*, *supra* n. 1, para. 7.1955.

⁶¹ *Ibid.*, para. 7.1956.

⁶² *Ibid.*

⁶³ *Ibid.*, para. 7.1957.

⁶⁴ The Panel cites para. 7.246 of the *EC-Trademarks and Geographical Indications Report*- 'these principles reflect the fact that argument does not generally provide for the grant of positive rights to exploit or use certain matters, but rather provides for the grant of negative rights to prevent certain acts. This fundamental feature of intellectual property protection inherently grants Members freedom to pursue legitimate public policy objectives since many measures to attain those public policy objectives lie outside the scope of intellectual property rights and do not require an exception under the TRIPS Agreement'.

⁶⁵ Report of the Appellate Body, *United States- s. 211 Omnibus Appropriations Act of 1998* (WT/DS176/R), the Panel cites para. 186 of the Report- 'as we read it, Art. 16 confers on the owner of a registered trade mark an internationally agreed minimum level of "exclusive rights" that all WTO Members must guarantee in their domestic legislation. These exclusive rights protect the owner against infringement of the registered trade mark by unauthorized third parties'.

⁶⁶ *Australia-Tobacco Plain Packaging*, *supra* n. 1, paras 7.1975, 7.1976, 7.1977 read together.

⁶⁷ *Ibid.*, para. 7.1980.

such measures do not exist in domestic law.⁶⁸ Concerning third party activities within Article 16.1, the Panel took the view that:

the exercise of this private right depends, in practice, on an assessment of the nature of the marketplace at the relevant time to determine whether the relevant factual circumstances exist, especially in assessing the likelihood of confusion. However, the obligation on Members to provide this right under their legal systems should be distinguished from the scope of activities undertaken by commercial actors in their domestic markets. The object of the obligation in Article 16.1 is to permit right holders to protect themselves against certain actions by third parties in the course of trade, if a likelihood of confusion would arise from such actions.⁶⁹

The Panel found that the text of Article 16.1 does not suggest any kind of obligation on Members to ‘maintain market conditions that would enable the circumstances set out in this provision, including avoiding a likelihood of confusion’.⁷⁰ It only ensures that if any circumstances of the type delineated in Article 16.1 arise, Members are obliged to provide the right to prevent such unauthorized use. Thus, the Panel refused to broaden the rights created under Article 16.1, then there would’ve been the additional rights to protect against the reduction of the distinctiveness of a trade mark, or even a right to protect against lesser awareness of a trade mark among consumers.⁷¹

3.1[a] *General Obligation to Maintain the Distinctiveness of a Registered Trade Mark*

With respect to the TPP measures, the complainants argued that Article 16.1 provides a general obligation to ‘refrain from adopting measures’ that will reduce the distinctiveness of a mark which will ultimately handicap a party’s ability to exercise an exclusive right guaranteed under Article 16.1.⁷² The Panel rejected the complainant’s arguments and confirmed that Article 16.1 does not indicate any reference to any kind of a general obligation on Members to ‘maintain the distinctiveness of registered trade marks, or to refrain from regulatory conduct that might negatively affect the distinctiveness of such trade marks through use’.⁷³ In addition, Panel clarified that in *EC-Trademarks and Geographical Indications* where it found that the trade mark owner has legitimate *interests* in preserving the distinctiveness of a trade mark (including the use of its trade mark) and trade mark owner. Nonetheless, the Panel did not find anything in *EC- Trademarks*

⁶⁸ *Ibid.*

⁶⁹ *Ibid.*, para. 7.1999.

⁷⁰ *Ibid.*, para. 7.2000.

⁷¹ *Ibid.*, para. 7.2002.

⁷² *Ibid.*, para. 7.2003.

⁷³ *Ibid.*, para. 7.2005.

Geographical Indications to support a finding that the ‘interests’ referred to are protected as a right.⁷⁴ The Panel was not satisfied with the complainant’s argument that the use of a trade mark is necessary to preserve the distinctiveness of a trade mark. The Panel found that such reading would establish a positive right to use a trade mark which would be an expansive reading of Article 16.1. Thus, the Panel did not find any support from the *EC-Trademarks and Geographical Indications* decision to support the complainant’s argument – that an owner’s interest lies in using the trade mark – creates any sort of general obligation to prohibit or to adopt any sort of measures that would undermine or eliminate distinctiveness of trade marks.⁷⁵ Furthermore, the Panel observed that Article 16.1 does not make Members responsible for the conditions in which those infringement criteria, such as ‘likelihood of confusion,’ can fulfill, rather it focuses on preventing use by third parties that result in ‘likelihood of confusion’.⁷⁶ The Panel clarified that there is no such right to distinctiveness and Article 16.1 does not intend to:

protect that function against waning distinctiveness due to other reasons, such as changing market conditions, inaction of the right owner, or changing consumer perception. The trade mark owner’s commercial interest in a market situation in which its registered trade mark can be successfully sued to stop as many signs as possible from being used on similar or identical goods or services, and the corresponding interest in using its trade mark, including for the purpose of maintaining or further strengthening its distinctiveness, is not a right under Article 16.1.⁷⁷

It is interesting to note that the Panel referred to *EC-Trademarks and Geographical Indications*⁷⁸ to support its view that in the absence of positive right to use, a regulatory measure which does not impact negative rights, is not prohibited under Article 16.1. Therefore, negative rights under Article 16.1 – the right to prevent infringing – ‘does not extend to an entitlement to maintain or extend the distinctiveness of an individual trade mark, which inevitably fluctuates according to market conditions and the impact of regulatory measures on those market conditions’.⁷⁹

⁷⁴ *Ibid.*, para. 7.2008.

⁷⁵ *Ibid.*

⁷⁶ *Ibid.*, paras 7.2010 and 7.2011 read together.

⁷⁷ *Ibid.*, para. 7.2011.

⁷⁸ *Ibid.*, para. 7.2015. The Panel refers to para. 7.246 of *EC-Trademarks and Geographical Indications (Australia)*- ‘The TRIPS Agreement “provides for the grant of negative rights to prevent certain acts” rather than “positive rights to exploit to use”’, many measures to attain ... public policy objectives lie outside the scope of intellectual property rights and do not require an exception under the TRIPS. This confirms our view that, in absence of a positive right to use a trade mark, a regulatory measures that do not affect the negative right to prevent infringing uses are not prohibited by Art. 16.

⁷⁹ *Ibid.*, para. 7.2015.

3.2. THREE FACTORS IN ARTICLE 20 OF THE TRIPS AGREEMENT

The use of a trade mark in the course of trade shall not be unjustifiably encumbered by special requirements, such as use with another trade mark, use in a special form or use in a manner detrimental to its capacity to distinguish the goods or services of one undertaking from those of other undertakings.

Considering the text of Article 20, the question before the Panel was whether the TPP measures are inconsistent with Article 20 by imposing a ‘special requirement’ that ‘unjustifiably’ ‘encumbers’ the use of the trade mark in ‘the course of trade’. First, the Panel determined that the burden of proof is on the complainants to present a prima facie case of violation of Article 20. Second, the Panel identified three elements required to claim a violation of Article 20.

3.2[a] *The Existence of ‘Special Requirement’*

First, the Panel established the meaning of ‘special requirement’ by separately examining the meaning of ‘special’ and ‘requirement’. The Panel agreed with the previous Panel’s decision, in the *EC-Approval and Marketing of Biotech Products*⁸⁰ and *others*⁸¹ and concluded that meaning of term ‘requirement’ should be interpreted broadly and ‘does not imply permitting a certain action or behaviour, to the exclusion of banning or prohibiting certain actions’.⁸² The Panel followed the ordinary meaning of the term ‘special’ and concluded that ‘the requirement referred to must have a close or exclusive connection with their specific object, namely in the context of Article 20, the use of trade mark in the course of trade’.⁸³ The question before the Panel was whether the reference to ‘such as’ after ‘special requirements’ denotes other possible special cases apart from the ones listed in Article 20. According to Australia, Article 20 refers to ‘how a trade mark may be used when it is used, not to whether it can be used’.⁸⁴ On the question of whether the use of the trade mark in the course of trade falls within the scope of Article 20, the Panel held that the language of Article 20 ‘does not imply that other types of requirements, including a requirement amounting to a prohibition on use, would be precluded from falling within the scope of Article 20’.⁸⁵

The Panel agreed with all parties that the TPP measures – prohibiting the use of the stylized word mark, composite mark and figurative mark on tobacco

⁸⁰ See Panel Reports, *European Communities-Measures Affecting the Approval and Marketing of Biotech Products* (WT/DS291).

⁸¹ See Panel Reports of *US-Continued Suspension* (WT/DS320), para. 7.433.

⁸² *Australia-Tobacco Plain Packaging*, *supra* n. 1, para. 7.2222.

⁸³ *Ibid.*, para. 7.2224.

⁸⁴ *Ibid.*, para. 7.2225.

⁸⁵ *Ibid.*, para. 7.2226.

packaging – amount to a special requirement under Article 20. In addition, the Panel observed that the requirement to use stylized elements in word, mark and in a single font and colour, constitute ‘use’ in special form within the meaning of Article 20.

3.2[b] *That Such Special Requirements ‘Encumber’ the ‘Use of a Trade Mark in the Course of Trade’*

In considering this question, the Panel first looked at the meaning of ‘encumber’ and observed that if the use of trade mark is prohibited in the course of trade, then ‘it is encumbered to the greatest possible extent’.⁸⁶ However, the Panel did not agree with the distinction between the highly restrictive use of the trade mark and the normal restrictive use of trade marks within the meaning of Article 20. The Panel rightly noted that:

it would be “counterintuitive to consider that a measure that restricts the use of a trade mark would be subject to the disciplines of Article 20 while a more far-reaching measure to prohibit such use would not. Specially, such an interpretation would, in our view, defeat the very object of this provision. It would create an illogical distinction between a highly restrictive requirement that comes extremely close to an outright prohibition, which would need to be justified, and an outright prohibition to use, which under such an interpretation would require no justification.”⁸⁷

In light of divergent interpretations of the phrase ‘in the course of trade’ and different views on ‘use’ of a trade mark in relation to Article 20, the Panel explained the meaning of these terms separately. Honduras and the Dominican Republic argued that the meaning of the phrase ‘in the course of trade’ should be given a broad meaning which captures all activities related or linked to trade, including all post-sale activities.⁸⁸ On the contrary, Australia argued that the use of the trade mark in the course of trade does not include ‘how a trade mark might be perceived by consumers or others after the point of sale’.⁸⁹ The Panel found that the meaning of ‘in the course of trade’ should not be limited to trade and that it should be understood in the broadest sense, i.e. including all commercial activities. According to the Panel, the phrase ‘in the course of trade’ is referred to in several provisions of TRIPS⁹⁰ and the Paris Convention.⁹¹ Therefore, it should be

⁸⁶ *Ibid.*, para. 7.2236.

⁸⁷ *Ibid.*, para. 7.2238.

⁸⁸ *Ibid.*, paras 7.2248 and 7.2249 read together. See also para. 7.2251 where Indonesia highlights the wide range of commercial activities, including ‘every act or operation that is aimed at, directly or indirectly, or that results from, directly or indirectly, buying and selling products or services in a professional manner’.

⁸⁹ *Ibid.*, para. 7.2253. See also para. 7.2260–‘in the course of trade refers to acts undertaken during the buying and selling of goods for profit, and that this culminates at the point of sale’.

⁹⁰ TRIPS, *supra* n. 2, Art. 16.1 and Art. 24.8.

⁹¹ Paris Convention for the Protection of Industrial Property, 20 Mar. 1883 as revised at Stockholm on 14 July 1967, 828 UNTS 305 (1972) (hereafter Paris Convention), Art. 10bis(3).

understood in a harmonious way and it reminded the parties that none of the provisions define the term ‘course of trade’ in reference to the ‘point of sale’ or refer to situation as argued by parties such as ‘pre and post-sale’ scenarios.⁹²

The next question the Panel was required to address was the meaning of the term ‘use’ in reference to special requirements, such as ‘encumber’ the ‘use’ of a trade mark in the course of trade. The Panel looked at the language of Article 20 to confirm that the term ‘use’ in Article 20 should be limited to the use of a trade mark for the source identification. In the words of the Panel:

reference (introduced by the term ‘or’) makes clear that a requirement to use a trade mark ‘in a manner detrimental to its capability to distinguish the goods or services of one undertaking from those of another’ is *not a sine qua non condition* for a finding that ‘use ... in the course of trade’ is being encumbered within the meaning of Article 20.⁹³

In addition, the Panel drew a comparison between Article 15.3 and 19 of TRIPS (which also both refer to ‘use’) to conclude that the term ‘use’ in all these provisions refers to an objective fact of use. In the Panel’s view, this is also the case in Article 20 in which use in the course of trade refers to use in commercial activities, rather limiting on the basis of a notion of function or purpose of such use.⁹⁴ Therefore, the Panel concluded that a narrow reading of ‘use’ of a trade mark to that of a source identifier would make ‘a false dichotomy between such use and the broader promotion of a good or service associated with a trade mark’.⁹⁵ Hence, the TPP measures fall under the special requirement that encumbers the use of a trade mark in the course of trade.

3.2[c] *That They Do So ‘Unjustifiably’*

To answer the question whether the TPP measures ‘unjustifiably encumber the use of trade marks in the course of trade’, the Panel first established the meaning of the term ‘unjustifiably’, which can be analysed with the following questions.

3.2[c][i] Whether the Term ‘Unjustifiably’ Should Be Read in Line with the Chapeau of Article XX of the GATT 1994?

The main contention of Australia was that the term ‘unjustifiably’ under Article XX must be read in accordance with the phrase ‘arbitrary and unjustifiable

⁹² *Australia-Tobacco Plain Packaging*, *supra* n. 1, para. 7.2262.

⁹³ *Ibid.*, para. 7.2281.

⁹⁴ *Ibid.*, para. 7.2284.

⁹⁵ *Ibid.*, para. 7.2285.

discrimination' under Article XX of the GATT 1994⁹⁶ and Article XIV of the General Agreement on Trade in Services (GATS).⁹⁷ Australia referred to the Appellate Body decision in *Brazil-Retreaded Tyres*⁹⁸ and *EC- Seal Products*⁹⁹ which interpreted Article XX phrase 'arbitrary or unjustifiable'. To fall under 'arbitrary or unjustifiable', one needs to show that the measure in question has no rational connection to the legitimate policy objective.¹⁰⁰ Australia argued that trade mark in the course of trade is unjustifiably encumbered 'only if there is no "rational connection" between the imposition of the special requirements and a legitimate public policy objective'.¹⁰¹ Moreover, Australia highlighted that the term 'unjustifiably' is not an absolute standard, but rather focuses on 'rationality or reasonableness'¹⁰² of the encumbrance imposed by a measure in question and legitimate public policy objective behind such initiative. Thus, the relationship between encumbrance and the TPP objective is enough to fall under the purview of Article 20. Australia supported this argument through reference to past decisions¹⁰³ by the Appellate Body finding that to establish that a measure is capable of contributing to its legitimate objectives, there should be 'a genuine relationship of ends and means between the objective pursued and the measure at issue'.¹⁰⁴ Thus, the burden lies on complainants to show that encumbrance is incapable of contributing to the legitimate objective of measures.

Honduras asked the Panel to interpret 'unjustifiably' in the light of the object and purpose of the TRIPS Agreement which is to protect both trade and legitimate non-trade concerns of WTO Members. Honduras reminded the Panel that while engaged in interpretation, the Panel should note that both trade mark owners and consumers have a legitimate interest. The interest of trade mark owners lies in fulfilling the key function of the mark, to distinguish through use; therefore, the Panel should strike an appropriate balance. In the words of Honduras:

⁹⁶ GATT, *supra* n. 12, Art. XX provide a general exception clauses. For a detailed account of Article XX; see https://www.wto.org/english/res_e/publications_e/ai17_e/gatt1994_art20_gatt47.pdf (accessed 11 Sept. 2019).

⁹⁷ General Agreement on Trade in Services (GATS), incorporated in the Marrakesh Agreement Establishing the World Trade Organization, 15 Apr. 1994, 1867 UNTS 3 (entered into force 1 Jan. 1995) annex 1B. Art. XIV of GATS provides a general exception clauses. For a detailed account of Art. XIV see WTO Analytical Index, GATS-Article XIV (Jurisprudence), https://www.wto.org/english/res_e/publications_e/ai17_e/gats_art14_jur.pdf (accessed 28 Sept. 2019).

⁹⁸ Appellate Body Report, *Brazil-Measures Affecting Imports of Retreaded Tyres* (WT/DS332) (hereafter *Brazil Retreaded Tyres*).

⁹⁹ Appellate Body Report, *European Communities- Measures Prohibiting the Importation and Marketing of Seal Products* (WTO/DS400) (hereafter *EC-Seal Products*).

¹⁰⁰ *Australia-Tobacco Plain Packaging*, *supra* n. 1, para. 7.2328.

¹⁰¹ *Ibid.*, para. 7.2329.

¹⁰² *Ibid.*, para. 7.2330.

¹⁰³ *Brazil-Retreaded Tyres*, *supra* n. 98, paras 145, 149; *EC-Seal Products*, *supra* n. 99, para. 5.2.13.

¹⁰⁴ *Australia-Tobacco Plain Packaging*, *supra* n. 1, para. 7.2331.

the term ‘unjustifiably’ must strike an appropriate balance between the competing objectives of the protection of public health, on one hand, and maintaining the competitive opportunities of WTO Members or the protection of IP rights, on the other.¹⁰⁵

Likewise, the Dominican Republic argued that to understand the meaning of ‘unjustifiably’, the Panel must determine the objective of Article 20 and what interest it sought to protect. Furthermore, it argued that the use of a trade mark is a protected right under Article 20, which is essential to the basic functioning of trade mark, i.e. distinguishing goods or services. Hence, it is important to safeguard the ability of trade mark to perform its basic function in line with the general object and purpose of the TRIPS Agreement. Additionally, it argued that the word ‘unjustifiably’ constitutes a lesser standard than the same word used in the chapeau of Article XX of the GATT.¹⁰⁶ In fact, it maintained that the reading of the same word in the chapeau of Article XX of the GATT must take into account possible alternative measures, which would avoid discrimination.¹⁰⁷ Similarly, Indonesia also argued that a ‘rational connection’ to the legitimate objective is not enough to rationalize encumbrance under Article 20.¹⁰⁸

The Panel first clarified that the absence of the term ‘unnecessarily’ in Article 20 is a deliberate choice of drafters because the term ‘unnecessarily’ is featured in several provisions of TRIPS,¹⁰⁹ the Berne¹¹⁰ and Paris Convention.¹¹¹ Therefore, the term ‘unjustifiably’ should not be assumed to be synonymous with ‘unnecessarily’.¹¹² Similarly, the Panel also refused to accept Australia’s argument that assuming the term ‘unjustifiably’ as used in Article 20 has the same meaning as the term ‘unjustifiable’ referred in the chapeau of Article XX of the GATT 1994. In addition, the Panel found that Australia’s reliance on the Appellate Body decision in the context of Article XX of the GATT to support that the existence of a rational connection between the discrimination and objective of the measure is not sufficient. The Panel wrote:

[i]t does not, however, logically follow that, wherever some degree of rational connection does exist, this would always be sufficient to justify the discrimination at issue under the

¹⁰⁵ *Ibid.*, para. 7.2302.

¹⁰⁶ *Ibid.*, para. 7.2310.

¹⁰⁷ *Australia-Tobacco Plain Packaging*, *supra* n. 1, para. 7.2310. See para. 7.2310 where the Dominican Republic list four elements which should be taken into account while determining whether an encumbrance is justifiable: (1) the nature and extent of the encumbrance (2) the purpose of which an encumbrance is imposed (3) the particular means chosen to achieve the ends (4) the available alternatives.

¹⁰⁸ *Australia-Tobacco Plain Packaging*, *supra* n. 1, para. 7.2325.

¹⁰⁹ TRIPS, *supra* n. 2, Art. 3.2, 8.1, 27.2, 39.3, 43.2, 50.5 and 73(b).

¹¹⁰ Berne Convention for the Protection of Literary and Artistic Works, 9 Sept. 1886, as last revised 24 July 1971, amended 2 Oct. 1979, 828 U.N.T.S. 221, Art. 17.

¹¹¹ Paris Convention, *supra* n. 91, Art. 11(3).

¹¹² *Australia-Tobacco Plain Packaging*, *supra* n. 1, para. 7.2419.

chapeau of Article XX. We therefore do not find support in these [referring to past WTO Reports] rulings for the notion that, in the context of Article 20 of the TRIPS Agreement, the term ‘unjustifiably’ should be understood to require only the existence of some rational connection between encumbrances imposed on the use of trade mark and the reason for which they are imposed.¹¹³

The Panel agreed that both the provisions require some degree of rational connection between the action and the objective behind the measure, but this does not imply that ‘the existence of any rational connection, no matter how tenuous, would always sufficiently support the imposition of such encumbrance permissible under Article 20’.¹¹⁴ The Panel referred to *EC-Trademarks and Geographical Indications* to form an opinion that the legitimate interest of the owner in using its trade mark and the right of WTO members to adopt measures of societal interest must be taken into account. Therefore, the Panel identified three factors to determine whether the special requirement unjustifiably encumbers the use of a trade mark in the course of trade. The three factors are¹¹⁵:

A. The nature and extent of the encumbrance resulting from the special requirements, bearing in mind the legitimate interest of the trade mark owner in using its trade mark in the course of trade and thereby allowing the trade mark to fulfil its intended function.

B. The reason for which the special requirements are applied, including any societal interests they are intended to safeguard; and

C. Whether these reasons provided sufficient support for the resulting encumbrance

It is interesting to note that the Panel did not feel confident to assess the issue based on ‘weigh and balance’ analysis. Rather, it considered that assessment requires a case-by-case basis.

A. First factor

Regarding the first factor, Honduras highlighted the importance of the use of a trade mark in the market. It argued that trade marks are integral to commercial life and ‘a merchant will expend time and financial resources into creating a trade mark only if it can subsequently use the trade mark and earn profits from that use’.¹¹⁶ In support of Honduras’ view, the Dominican Republic argued that Article 20 allows a trade mark to perform its basic function of source origin in commerce, therefore, ‘without the ability to use trade marks in commerce, the benefits that warrant the international protection of trade marks disappear’.¹¹⁷ In contrast, Australia argued that the TPP measures aimed to curtail the promotional function of trade marks by prohibiting the use of non-standardized fonts, colours,

¹¹³ *Ibid.*, paras 7.2421 and 7.2422 read together.

¹¹⁴ *Ibid.*, para. 7.2422.

¹¹⁵ *Ibid.*, para. 7.2430.

¹¹⁶ *Ibid.*, para. 7.2535.

¹¹⁷ *Ibid.*, para. 7.2538.

and logos on packaging. Additionally, Australia emphasized that the use of the trade mark to advertise and promote the trade marked product is not part of the distinguishing function of the trade mark.¹¹⁸ The complainants did not agree with Australia on the function of trade marks. The complainants drew attention that trade marks may not always perform the function of identifying and distinguishing the source of the product. Sometimes, the trade mark function depends on the market. As Cuba noted, that with:

regards to the role of trade mark[...] the consumers do not pay a higher price for Cuban cigar as recognition of the identity of the producer; consumer pay the premium because they subscribe to the trade mark proposition communicated by a trade mark, The manufacturers of prestige and luxury goods would not commit very substantial funds to marketing and global promotion of their trade marks if they would simply serve to identify a producer. For high-end luxury goods, trade mark are a means to signal status and prestige, a guarantee of quality, and a fundamental means of production differentiation.¹¹⁹

Interestingly, complainants highlighted the communication function of a trade mark through its design features. The Dominican Republic responded that the TPP legislation ‘eliminates the opportunity for producers to differentiate their products using design features, such as trade marks, as well as the pack shape, size, opening mechanism, and compositional material.’¹²⁰ Thus, this will engender consumer loyalty and willingness to pay.¹²¹

In light of the aforementioned arguments, the Panel reaffirmed its position that the relevant ‘use’ in the ‘course of trade’ in Article 20 is not limited to the particular function of trade marks and does not distinguish different functions that trade marks serve in commerce. Similarly, the Panel acknowledged the importance of packaging in advertising and that trade mark act as a legal anchor in performing commercial functions of brands.¹²² Although the Panel refers to the purpose of TPP measure as one that prevents ‘design features from creating perceptions’ through the restrictive use of the trade mark, it equally acknowledges that TPP measures may undermine the economic value of the trade mark. The Panel wrote:

the TPP measures prevent a trade mark owner from extracting economic value from any design features of its trade mark through its use in the course of trade. In principle, therefore, the TPP measures’ prohibitions on the use of figurative trade marks on tobacco retail packaging and products, as well as of the figurative and stylized elements of

¹¹⁸ *Ibid.*, para. 7.2543.

¹¹⁹ *Ibid.*, para. 7.2549.

¹²⁰ *Ibid.*, para. 7.2553.

¹²¹ *Ibid.*

¹²² *Ibid.*, para. 7.2366.

composite and word marks, are far-reaching in terms of the trade mark owner's expected possibilities to extract economic value from the use of such features.¹²³

Subsequently, the Panel acknowledged that the practical implications of such a prohibition were mitigated by the fact that the TPP measure does not restrict tobacco companies from using trade marks, including brand and variant names to perform a distinguishing function.¹²⁴ The Panel also emphasized that the complainants failed to demonstrate that the TPP measures affected consumers' ability to distinguish tobacco products from one undertaking from those of other undertakings.¹²⁵ Moreover, the Panel also took note of section 28 of TPP Act, which aimed to preserve a trade mark owner's ability to protect a trade mark and the Act allows the Government to remedy any unintended interaction between the TPP and Trade Marks Act of Australia.¹²⁶

B. Second factor

Regarding the second factor, Australia demonstrated through statistical data that tobacco caused the loss of life and has a negative impact on non-smokers exposed to second-hand smoke, globally and in Australia. Australia highlighted the impact of nicotine addiction by showing that 95% of those engaged in tobacco consumption have difficulties quitting.¹²⁷ Complainants did not dispute the effects of tobacco consumption and legitimate rights of WTO members to take effective public health measures, but in doing so, complainants took the view that a Member cannot disregard multilateral commitments and depart from decades' long principles of trade mark protection and intellectual property.¹²⁸

The Panel acknowledged that the parties are in agreement regarding the importance of public health as a policy concern. The Panel reaffirmed that preservation of human life and health as a value is both vital and important in the highest degree¹²⁹ and conceded that Australia's TPP measures are aligned with Australia's objective of improving public health. In the words of the Panel:

it is undisputed that the grounds on which the special requirements on the use of trade marks in the course of trade under the TPP measures are applied address an exceptionally grave domestic and global health problem involving a high level of preventable morbidity and mortality. The fact that these special requirements, as part of the overall TPP measures and in combination with other tobacco-control measures maintained by Australia, are capable of contributing, and do in fact contribute, to Australia' objective of improving public health by reducing the use of, and exposure to, tobacco products, suggests that the

¹²³ *Ibid.*, para. 7.2569.

¹²⁴ *Ibid.*, para. 7.2570.

¹²⁵ *Ibid.*

¹²⁶ *Ibid.*, para. 7.2574.

¹²⁷ *Ibid.*, para. 7.2577.

¹²⁸ *Ibid.*, paras 7.2582 and 7.2585 read together.

¹²⁹ *Ibid.*, para. 7.2587.

reasons for which these special requirements are applied provide sufficient support for the application of the resulting encumbrances on the use of trade marks.¹³⁰

The Panel gave weight to the public health objectives of Australia's TPP Act and held that the complainants were not able to demonstrate that Australia has acted beyond the latitude available to them under Article 20; that sufficiently provides policy space to protect public health. Additionally, the Panel appreciated Australia for being the first country to implement such a measure in pursuance of FCTC guidelines and conclude that Australia's objective of improving public health is enough to support the special requirement, resulting encumbrances on the use of trade marks.¹³¹

C. Third Factor

Third, to determine if a special requirement results in an 'unjustifiable' encumbrance, Honduras suggested the Panel to form a balanced interpretation by taking into account two factors: (1) the right of the state to regulate to achieve a legitimate objective; (2) the obligation of Members to fulfill the level of intellectual property protection required under the TRIPS. Thus, Honduras submitted to the Panel that it should follow the 'necessity' test under Article XX of the GATT 1994, Article XIV of the GATS and Article 2.2 of the TBT Agreement. Additionally, suggested borrowing the essence of necessity through exceptions provided in Article 17 of TRIPS.

Australia accused the complainants of rewriting Article 20 and argued that 'necessity' and 'trade restrictiveness' cannot be borrowed from exceptions provided in Article 17 of TRIPS; this is because both Articles 17 and 20 address different topics. Moreover, Article 20 is not a general exception to rights; therefore, the 'legitimate interest of the owners of the trade mark' is not relevant to Article 20. This suggests that that 'drafters of TRIPS Agreement did not consider this to be a relevant or necessary requirement in the case of measures that impose an encumbrance upon the use of a trade mark'.¹³² In response to complainant's argument that 'interest in use' and 'the importance of use' are facets of the right to use, Australia questioned the 'interest' that the TRIPS Agreement seeks to protect.¹³³ Australia pointed out that TRIPS ensures that Members attain a minimum intellectual property (IP) standard, and defines rights in terms of rights of exclusion, but does not refer to any right to use.¹³⁴ Australia concluded that the use of IP is not a primary concern of the TRIPS Agreement. In the opinion of Australia:

¹³⁰ *Ibid.*, para. 7.2592.

¹³¹ *Ibid.*, para. 7.2604.

¹³² *Ibid.*, para. 7.2339.

¹³³ *Ibid.*, para. 7.2340.

¹³⁴ *Ibid.*, para. 7.2341.

[t]he complainant's theological observations concerning an 'interest in use' and 'importance of use' would apply to all forms of IP covered by the TRIPS ... [But] does not grant right with respect to use of IP. The use of other forms of IP is at least equally important to allowing those forms of IP to 'fulfil their basic function'. Moreover, the owners of other forms of IP have at least an equally legitimate 'interest' in the use of that IP. Nevertheless, the TRIPS Agreement imposes no constraints on how Members may regulate the use of other forms of IP. This confirms that the use of IP, of any type, is not a primary concern of the TRIPS Agreement and is a matter that the Agreement leaves almost entirely unconstrained.¹³⁵

Australia urged the Panel to interpret the term 'unjustifiably' in light of the object and purpose of the TRIPS Agreement and referred to a scholar, which positioned that 'the fundamental and overall thrust of the TRIPS Agreement is about the protection of intellectual property rights, not about the freedom to exploit them in trade'.¹³⁶ Australia referred to Article 8 and Doha Declaration¹³⁷ to argue that the TRIPS retains policy space for Member to pursue in furtherance of public policy objectives.¹³⁸ Therefore, the TPP measures fall within the public policy objectives of Australia.

The Panel was inclined towards Australia's position and confirmed that the TPP measures was based on 'degree of latitude' provided by Article 20 which allows Members to choose steps to address public objectives, even though such steps may have an impact on the use of trade marks in the course of trade, as long as reasons support any resulting encumbrance.¹³⁹ Thus, the Panel was satisfied with Australia acting within the regulatory space provided by the TRIPS, read with Doha Declaration, and because the TPP measures were driven to protect public health in Australia.

4 CONCLUDING THOUGHTS

The Panel Reports clarifies that TRIPS trade mark provisions do not come in conflict with tobacco plain packaging legislation. However, the Panel Reports does lead to some interesting question that requires further attention. Few of them are discussed below:

¹³⁵ *Ibid.*, paras 7.2342 and 7.2343 read together.

¹³⁶ *Ibid.*, para. 7.2344 (referring to Nuno Pires Carvalho, *The TRIPS Regime of Trademarks and Design* 348 (Kluwer 2014)).

¹³⁷ Declaration on the TRIPS Agreement and Public Health (WT/MIN(o1)) Dec/2 (14 Nov. 2001) (hereafter Doha Declaration).

¹³⁸ *Australia-Tobacco Plain Packaging*, *supra* n. 1, paras 7.2346 and 7.2347 read together.

¹³⁹ *Ibid.*, para. 7.2598.

4.1. DOES TRIPS ENSURES MINIMUM PRIVATE RIGHTS?

From the industry's point of view, the fundamental question is whether the TRIPS Agreement ensures minimum private rights to the IP holder. In this line, complainants argued that TRIPS should ensure the minimum right to use a trade mark. Nevertheless, their view did not receive the support from the WTO Panel. The International Trade Mark Association (INTA) disagreed with the findings of the Panel. In its amicus curiae brief submitted to the WTO Appellate Body, pointed out that the denial of the ability to use trade marks on any products must be viewed as a denial of private property rights under the TRIPS.¹⁴⁰ The INTA is not satisfied with the Panel ignoring the preamble while interpreting TRIPS provisions. The INTA's Brief argues that the Panel has 'divert[ed] from the central goals of TRIPS'¹⁴¹ which recognize IP as private rights. The INTA Brief reads, as 'any encumbrance must be viewed from the perspective of the private rights of trade mark owners, not the rights of State'.¹⁴² In other words, INTA Brief is asserting that state signing an international agreement, such as GATT and TRIPS 'have relinquish[ed] certain of their powers to control private transactions within the global marketplace'.¹⁴³ Moreover, if a minimum use of trade marks does not fall under private rights, then what is the nature of private rights that TRIPS addressing? It is true that the TRIPS preamble refers to private rights, but it also recognizes the underlying *public policy objectives* of national systems for the protection of intellectual property. The careful reading of the preamble, which discusses public policy objectives and private rights, reflects the need for 'balance' in the system. But what kind of balance? Do private rights always mean the right to exclude others? What do private rights mean to a country that does not have a sound and viable technological base? Isn't the goal of granting an IP in the form of a private right to entrepreneur, inventor or creator is to promote public goods, encourage innovation, creativity, foster progress in sciences and technology. Of course, the answer to these questions is affirmative, so what do private rights mean, if one cannot have the minimum use of a trade mark? This so-called 'private rights' serve what objective? If it serves a social objective, then what exactly is this social

¹⁴⁰ Brief of Amicus Curiae, International Trademark Association in Support of the Complainant, submitted to the Appellate Body of Dispute Settlement of Panel of the World Trade Organization in Cases WT/DS435/R & WT/DS441/R of Australia-Measures Concerning Trademarks and Other Plain Packaging Requirements Applicable to Tobacco Products and Packaging (hereafter INTA Brief) at 9, https://www.inta.org/Advocacy/Documents/2019/INTA%20Brief%20WTO%20Appellate%20Body%20Cases%20WT.DS435.R_WT.DS441.R.pdf (accessed 11 June 2019).

¹⁴¹ *Ibid.*, para. 24.

¹⁴² *Ibid.*

¹⁴³ *Ibid.*

objective? These are questions that have been discussed and perhaps may require revisiting.

4.2 RELEVANCE OF ARTICLES 7 AND 8 OF THE TRIPS

The Panel Reports reaffirmed that Articles 7 and 8 of TRIPS are the balancing tools for interpreting the TRIPS provisions.¹⁴⁴ If one reads Articles 7 and 8 together, it is clear that private rights referred to in the TRIPS are of its own kind. The term does not reflect 'private' in a literal sense, but rather performs social objectives. The term may preferably be understood as the '*social objectives of private rights*'. Similarly, the Panel Report give importance to paragraph 5 of the Doha Declaration on the TRIPS Agreement and Public health¹⁴⁵ as a 'subsequent agreement' with respect to the TRIPS Agreement¹⁴⁶ under Article 31.3(a) of the Vienna Convention of the Law of Treaties.¹⁴⁷ However, Honduras, in its notice of appeal, finds that 'the Panel errs in law in its analysis' by finding that the Doha Declaration constitutes a subsequent agreement under the Vienna Convention.¹⁴⁸ It will be interesting to see how the Appellate Body addresses this issue but it is disappointing that the Panel provides very limited analysis on Articles 7 and 8 of TRIPS. Indubitably, the Panel reaffirmed the importance of these Articles, but against the context of the Doha Round,¹⁴⁹ it would have been wise to deliver substantial observation on Articles 7 and 8 of TRIPS.

4.3 ARTICLE 20 OF TRIPS: DOES 'WEIGHING AND BALANCING' ANALYSIS OFFER MORE THAN A CASE-BY-CASE BASIS?

The Panel adopted a *case by case* approach to analyse Article 20 of TRIPS. In relation to the use of the word 'unjustifiably' in Article 20, Honduras suggested that 'weighing and balancing' between competing concerns should be used as a tool to arrive at an appropriate interpretation.¹⁵⁰ It is true that the language of Article 20 of the TRIPS is different from Article XX of the GATT.

¹⁴⁴ Arts 7 and 8 refer to the objectives and principles of the TRIPS Agreement.

¹⁴⁵ Doha Declaration, *supra* n. 137, para. 5(a) 'in applying the customary rules of interpretation of public international law, each provision of the TRIPS Agreement shall be read in the light of the object and purpose of the Agreement as expressed, in particular, in its objectives and principles'.

¹⁴⁶ *Australia-Tobacco Plain Packaging*, *supra* n. 1, para. 7.2409.

¹⁴⁷ VCLT, 23 May 1969, 1115 U.N.T.S. 331(entered into force 27 Jan. 1980) Art. 31.3(a): 'any subsequent agreement between the parties regarding the interpretation of the treaty or the application of its provisions'.

¹⁴⁸ Notice of an Appeal, *supra* n. 13, s. I, 2.

¹⁴⁹ See Antoine Martin & Bryan Mercurio, *Doha Dead and Buried in Nairobi: Lessons for the WTO*, 16(1) J. Int'l Trade L. & Pol'y 49 (2017).

¹⁵⁰ *Australia-Tobacco Plain Packaging*, *supra* n. 1, para. 7.2306.

In the absence of the term ‘necessary’ in Article 20, the Panel did not adopt ‘weighing and balancing’ approach. However, the fundamental question is whether the approach of ‘weighing and balancing’ truly offers a better interpretation of Article 20? This is debatable.

An alternative view would be that the ‘weighing and balancing’ approach could offer more to Article 20. The issue before the Panel was to assess the tobacco plain packaging measure, which ideally is a policy measure adopted by the state to reduce tobacco consumption. One may argue that there is scientific evidence to demonstrate that tobacco consumption is bad for health and more or less the WHO FCTC is considered as an evidence-based policy recommendation.¹⁵¹ There may be other areas such as alcohol, fatty food products where the state would like to adopt similar plain packaging. In such cases, adopting the ‘weighing and balancing approach’ to interpret ‘unjustifiably’ and ‘encumbrance’ under Article 20 could offer a better result. Simply because there is no scientific evidence to show that plain packaging on potential products such as alcohol and fatty food will reduce the consumption of such products. To adopt a measure like plain packaging that undermines the right of the trade mark holder to exercise minimum right to use, a strong case needs to be made. Therefore, to plain package these products, it is relevant to provide scientific evidence to showcase the impacts of these products on health and if plain packaging as a measure would reduce consumptions of such products. In general, the ‘weighing and balancing’ approach allows us to consider several factors such as societal interest, values at stake, and the contribution of the measures to the objective of the policy; therefore, it may serve better than a case by case approach. Though the Panel did not borrow jurisprudence of Article 2.2 of TBT to the relevant trade marks provision of the TRIPS, it did clarify that as a matter of principle one should not assume that any measure affecting the use of IP covered by the TRIPS Agreement, could also not be covered by the TBT Agreement.¹⁵² The Panel is of the opinion that both the TRIPS and the TBT Agreements could be applied ‘concurrently and cumulatively’ to several aspects of the same measures¹⁵³ and view that the obligations under Article 2.2 of the TBT Agreement and Article 20 of the TRIPS Agreement are ‘not in substantive contradiction or mutually exclusive’.¹⁵⁴ This indicates that there are possibilities of WTO Panel to read the TRIPS provision in relation to the

¹⁵¹ In *Philip Morris v. Uruguay*, the tribunal acknowledged that the WHO guidelines are ‘evidence-based’ that means, Member States does not need to perform additional studies to support the public health consideration of tobacco plain packaging measures’. See Upreti, *supra* n. 5.

¹⁵² *Australia-Tobacco Plain Packaging*, *supra* n. 1, para. 7.80.

¹⁵³ *Ibid.*, para. 7.88 .

¹⁵⁴ *Ibid.*, para. 7.96.

TBT Agreement, adopting the necessity test or weighing and balancing approach as required.

4.4 IS THERE ANY ROOM LEFT FOR INDUSTRIES?

On previous occasions, tobacco companies reached ISDS against the tobacco plain packaging laws without any success. They had high hopes from the WTO Panel, unfortunately, the reading of the Panel Reports confirms that plain packaging laws are consistent with WTO laws. This is important because, after the success of tobacco plain packaging, an executive agency of the Department of Health of the UK suggested that the Government should consider plain packaging for alcohol products.¹⁵⁵ Similarly, developing countries like Kenya had passed a law requiring a pictorial health warning on alcohol products.¹⁵⁶ Likewise, Nepal in its National Alcohol Rules and Prevention Policy-2017 have incorporated provision that requires a minimum of 75% of the surface area of all kinds of alcoholic packaging to be covered by health warnings.¹⁵⁷

It appears, then, that industries cannot escape possible plain packaging regulations on unhealthy food products. The Panel findings go beyond tobacco and alcoholic beverages to potentially justify plain packaging measures for processed foods for children as an effort to curb obesity.

¹⁵⁵ Public Health England, *Report on The Public Health Burden of Alcohol and the Effectiveness and Cost-Effectiveness of Alcohol Control Policies: An Evidence Review* 139 (2016), https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/583047/alcohol_public_health_burden_evidence_review.pdf (accessed 12 June 2019).

¹⁵⁶ Alcoholic Drinks Control Act, s. 32 (3) of that requires a health warning message covering not less than 30% of the total surface area of the package.

¹⁵⁷ National Alcohol Rules and Prevention Policy 2017, s. 9.19 (2017); see Upreti, *supra* n. 5.