

Analysis of the Compatibility of certain
Tobacco Product Packaging Rules with the
TRIPS Agreement and the Paris Convention

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*This report concerns the compatibility with the World Trade Organization (WTO) Agreement on Trade-Related Aspects of Intellectual Property Rights (the TRIPS Agreement) and the Paris Convention for the Protection of Industrial Property (the Paris Convention) of rules prohibiting or severely restricting the use of trademarks on the packaging of tobacco products, in particular, plain packaging. The author is Professor Daniel Gervais, the author of *The TRIPS Agreement: Drafting History and Analysis*, 3rd ed. (London: Sweet & Maxwell, 2008). A biographical note is attached.*

Executive Summary

This expert report, prepared for Japan Tobacco International, aims to present the rules contained in the TRIPS Agreement and the Paris Convention as they apply to tobacco-related plain packaging measures. It applies those findings to a possible dispute at the WTO.

Plain packaging measures under consideration for tobacco products typically involve a prohibition on the use of certain marks (e.g. logos, shape marks, color marks and stylized marks) and requirements that word marks be used in a special form on packs, for example using plain block letters. Such measures are trade-restrictive and (like other trademark-related measures that could affect trade, for example, measures applying exclusively to foreign marks which would violate the national treatment/non-discrimination principle) are thus subject to trade law scrutiny.

The trade rules examined in this report are those contained in the TRIPS Agreement and the relevant provisions of the Paris Convention incorporated into TRIPS. Although neither the TRIPS Agreement nor the Paris Convention contains an explicit right to use trademarks, the *principle* that trademark owners should be allowed to use their marks, and the corollary that prohibitions or significant restrictions on such use are subject to review, are reflected in both instruments. Essentially, marks are necessary for consumers to identify the product they wish to purchase. For manufacturers they are necessary (a) to differentiate their product, and (b) to guarantee the origin of goods. Marks acquire their ability to distinguish goods or services and/or increase such ability because they are used in commerce.

Both the Paris Convention and the TRIPS Agreement provide that registration of trademarks cannot be denied solely because of the nature of the goods (and, in TRIPS, also the services) to which the trademark will be applied. Additionally, under TRIPS Article 20, encumbrances on the use of trademarks must be *justified*. To decide whether a measure is justified under Article 20, a WTO dispute-settlement panel (as part of the process explained below) must consider the available evidence and “be satisfied that it brings about a material contribution to the achievement of its objective.” Public health policy is a valid area to seek to justify the adoption of relevant measures, as reflected in the principle laid out in TRIPS Article 8 (Principles) and other relevant documents, including the 2001 Doha Declaration on TRIPS and Public Health. However, neither Article 8 nor this Declaration amount to a deletion of, or amendment to, Article 20. A WTO Member must therefore show that a measure is likely to achieve its stated, legitimate objective. A WTO dispute-settlement panel can be expected to review available expert and empirical evidence to determine whether a measure passes this test.

To the extent that the WTO Member cannot satisfy the burden of showing that a measure such as plain packaging (as described in this report) will achieve its legitimate public policy objectives, the measure can be expected to be found incompatible with TRIPS.

I. Introduction

1. The issue of tobacco control by governments is a complex one. It is one of several actual or potential conflicts between intellectual property and other rights, interests and concerns that policy makers and dispute-settlement entities (courts, international tribunals, etc.) will tackle in the coming years. The analysis of the tobacco/trademark interface must thus be carried out carefully and thoroughly.
2. The level and nature of health policy discussions concerning tobacco control make it somewhat difficult to find dispassionate, more technical analyses of intellectual property rules as they may apply to the packaging of tobacco products. In this report, I endeavor to separate the relevant intellectual property issues from broader normative questions. Such a sequential analysis may allow a better understanding of applicable rules, that is, before overlaying extrinsic factors. Naturally, policymakers and the above-mentioned dispute-settlement entities must take account of all facets.
3. This report analyzes the international trade rules contained in the TRIPS Agreement and the Paris Convention applicable to the issue of plain packaging. The report gives arguments on both sides of the debate a detailed look to ascertain their value.
4. In Section II of this report, I describe the legal context and the various types of trademarks that may be affected by plain packaging measures and certain other tobacco product packaging rules. In Sections III and IV, I identify the applicable rules and how they should be interpreted. In Section V, I apply my conclusions about the applicable rules to the context of a possible dispute at the WTO, because a WTO Member might challenge a plain packaging measure as being incompatible with the TRIPS Agreement and/or the Paris Convention. A WTO Member might also argue that, under TRIPS, such measures should be examined in light of the test applied by the WTO to trade-restrictive measures imposed for otherwise valid health, environmental or other legitimate public policy goals. The report considers how a WTO panel might approach such arguments.
5. In more abstract terms, the main question considered in this report is whether a WTO Member may, for legitimate public policy reasons, impose plain packaging of tobacco products, thereby (a) completely or essentially prohibiting the use of a mark owned by a private party and protected by the trademark rules enshrined in the TRIPS Agreement; and/or (b) requiring the use of a mark in a special form on certain products. As such, this analysis is not tobacco-specific. I do not consider any *specific* proposed

measure concerning tobacco packaging, nor am I commenting on the desirability of reducing tobacco consumption as a health policy goal.

6. This report also addresses the impact of the WHO's Framework Convention on Tobacco Control on this analysis (see Section VI below).
7. Finally, I consider, in Section VII, related requirements imposing labeling or packaging constraints, for example enlarged health warnings or pictures associated with tobacco use, but only to the extent that they are relevant for trademark law purposes.
8. Section VIII of this report summarizes my conclusions.

II. Legal Context

9. The focus of this report is trademark law. A number of analyses that advocate that intellectual property rules do not impose constraints on the regulation of tobacco packaging seem to be justifying instead that tobacco should not be available for purchase. This is a different question.
10. From a trademark policy perspective, tobacco companies might argue that adults who wish to purchase a legal product should be able to identify the product by its packaging; otherwise trademarks associated with the product no longer fulfill their function. Additionally, labeling and packaging regulations (outside of trademark law proper) should aim to *increase* information to consumers.
11. This report examines the applicable parameters without purporting to draw factual conclusions as to whether any specific measure such as plain packaging would likely impact consumer confusion, provide incorrect information or otherwise run afoul of trademark principles. I only state and explain the applicable rules. They must be applied to specific fact patterns and proposed regulation case-by-case with proper expert and/or empirical evidence.
12. There are two types of trademarks that need to be distinguished for the purposes of this report. First, are *word marks*, for example the characters comprising the name of a brand. Second, are *non-word marks*¹, such as device, figurative or stylized marks, for example logos and combined marks containing stylized letters, shape marks and color marks.²

¹ It might be more accurate to say "non-word only" marks, but I will use "non-word" to simplify. Shape marks may include trademarks for aspects of packaging, and are subject to differing national registrability requirements.

² Some countries do not allow such combined marks to be registered as such.

13. To take non-tobacco related examples, the “swoosh” logo used by Nike, Inc. is an example of a figurative mark; the lettering used by the Coca-Cola Company (as a separate and distinct trademark) for the word “Coca-Cola” is an example of a stylized mark; and the letters forming the word “MICROSOFT” are a word mark.
14. This report considers measures amounting to a prohibition on the use of non-word marks, and conditions imposed on use of word marks. In this report, where I refer to plain packaging measures, I mean measures that (a) prevent the use of non-word marks; and (b) include special form requirements concerning word marks (maximum size, prescribed font, etc.), in relation to packaging. Measures of this nature have been proposed in the EU,³ the UK⁴ and Australia.⁵
15. As mentioned above, this report focuses on international norms contained in TRIPS and the Paris Convention and thus not on other potentially relevant domestic or regional norms. The TRIPS Agreement, administered by the WTO, is the object of the next section. It is the principal international instrument in the field of intellectual property. The Paris Convention, which dates back to 1883 and was updated for the last time in

³ The European Commission public consultation document on the “Possible Revision of the Tobacco Products Directive 2001/37/EC” states that “Plain or generic packaging would standardise the appearance of tobacco packaging. Manufacturers would only be allowed to print brand and product names, the quantity of the product, health warnings and other mandatory information such as security markings. The package itself would be plain coloured (such as white, grey or plain cardboard). The size and shape of the package could also be regulated.”

⁴ Paragraph 3.64 of the UK Department of Health “Consultation on the future of tobacco control” (31 May 2008) (available at http://www.dh.gov.uk/prod_consum_dh/groups/dh_digitalassets/documents/digitalasset/dh_085651.pdf) described plain packaging as follows: “Plain packaging, also known as generic, standardised or homogeneous packaging, means that the attractive, promotional aspects of tobacco product packages are removed and the appearance of all tobacco packs on the market is standardised. Except for the brand name (which would be required to be written in a standard typeface, colour and size), all other trademarks, logos, colour schemes and graphics would be prohibited. The package itself would be required to be plain coloured (such as white or plain cardboard) and to display only the product content information, consumer information and health warnings required under the law.” I understand that the UK government has indicated that it may conduct a further consultation on plain packaging.

⁵ The Australian Plain Tobacco Packaging (Removing Branding from Cigarette Packs) Bill 2009 provided that “the remaining package area must not contain any words, trademarks or logos other than the following information: (a) on the bottom of the front of the package, in 12 point size — the brand name of the product; (b) on one side of the package, in 12 point size — a number representing the number of cigarettes in the package, or a number and weight representing the amount of tobacco in the package, as the case may be; (c) on the other side of the package, in 8 point size — the name, address and a contact phone number of the manufacturer or importer of the package, as the case may be.” and that that information must be “in black text; and...in the type face known as Helvetica, in normal weight.”

1967, is administered by the World Intellectual Property Organization (WIPO). It is the most important international treaty applying specifically to patents and trademarks. It is discussed in Section IV. The General Agreement on Tariffs and Trade (GATT) is also relevant. It is the main trade agreement administered by the WTO. Certain decisions under GATT concern concepts that are common to and would likely inform the interpretation of TRIPS. I explain this in more detail in Section V.

III. The TRIPS Agreement

16. The Agreement on Trade-Related Aspects of Intellectual Property, known as “TRIPS”, is Annex 1C of the Agreement Establishing the World Trade Organization. Signed at Marrakech on April 15, 1994, it entered into force on January 1, 1995.⁶ All 153 WTO members must comply with the TRIPS Agreement.⁷ Article 2.1 of the Agreement states that WTO Members must comply also with Articles 1 through 12, and Article 19, of the Paris Convention (1967).

17. Under TRIPS Article 64.1, the WTO Dispute-Settlement Understanding “shall apply to consultations and the settlement of disputes under this Agreement except as otherwise specifically provided herein.” In other words, WTO Members may challenge another Member’s compliance with the TRIPS Agreement before the WTO Dispute Settlement Body. A Member whose rules are found incompatible with its WTO obligations, including TRIPS, must amend its rules as recommended by the Dispute Settlement Body or face possible sanctions, including possible trade-based retaliation.⁸ This has already happened in a number of cases.

Trademarks in TRIPS

18. Under TRIPS Article 15.1, “any sign, or any combination of signs, capable of distinguishing the goods or services of one undertaking from those of other undertakings, shall be capable of constituting a trademark. Such signs, in particular words including personal names, letters, numerals, figurative elements and combinations of colors as well as any combination of such signs, shall be eligible for registration as trademarks.”

19. As noted above, trademarks may consist of letters, figurative elements, shapes, colors and combinations of each of them. In some cases, a single color may be protected as a mark. The Nike® and Coca-Cola® examples

⁶ TRIPS Agreement, Article 65.

⁷ Membership level as of October 2010. Least-developed countries (recognised as such by the United Nations), have obtained additional transitional periods to comply with most of the substantive provisions of the Agreement.

⁸ Please refer to Section V of this report for a summary of the WTO dispute-settlement process.

mentioned above illustrate two different types of non-word marks, while the word “Coca-Cola” or “Nike” considered only as a series of characters (e.g. letters) are word marks, separate from the visual perception associated with logos or the particular lettering used by those companies. Hence, while the word “Cota Cola” written in green block letters on a soda bottle would infringe the Coca-Cola® word mark, a different word affixed to the packaging of a soft drink and written with the famous fanciful red or white letters used by the Coca-Cola Company may infringe the figurative (stylized) mark.

20. Multiple trademarks are often used to identify a product. However, they are individual “assets”. Hence, the fact that word marks are allowed (albeit in special form) under a packaging regulation that otherwise bans non-word marks does not detract from the effect of such a regulation on non-word marks. To tell Nike, Inc. that they can use “Nike”® but not their swoosh would lead one to the same conclusion.

TRIPS and the use of trademarks

21. Several provisions in TRIPS emphasize the relevance of use to trademarks. TRIPS Article 15.3 states that Members may make registrability of a trademark depend on use. TRIPS Article 15.4 states that the “nature of the goods or services to which a trademark is to be applied shall in no case form an obstacle to registration of the trademark.” As such, measures preventing the *registration* of a trademark *only because it is used in relation to tobacco products* would likely violate TRIPS (and Article 7 of the Paris Convention⁹).
22. One argument that has been used to justify the ability of WTO Members to prohibit the use of a registered trademark is based on TRIPS Article 16, which contains the rights of a trademark owner. It provides that “the owner of a registered trademark 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 signs for goods or services which are identical or similar to those in respect of which the trademark is registered where such use would result in a likelihood of confusion.” The argument in essence is that trademarks are negative rights, or rights to prevent use, not *rights to use* a trademark.¹⁰

⁹ Article 7 of the Paris Convention provides that the “nature of the goods to which a trademark is to be applied shall in no case form an obstacle to the registration of the mark.” See Section IV below.

¹⁰ The absence of a formal “right to use” either in Article 16.1 or in Article 24.5, which does use the expression “right to use a trademark”, was discussed by the WTO panel in *European Communities - Protection of Trademarks and Geographical Indications for*

23. However, the more a trademark is known, the larger is its ambit of protection. This is recognized both in the Paris Convention (Article 6bis) and in Articles 16.2 and 16.3 of TRIPS. Those provisions reflect a well-accepted principle in trademark law and similar protection is available in the European Union for marks with a reputation. For example, in *L'Oréal vs. Bellure*, the Court of Justice of the European Union stated:

“[T]he stronger that mark’s distinctive character and reputation are, the easier it will be to accept that detriment has been caused to it. It is also clear from the case-law that, the more immediately and strongly the mark is brought to mind by the sign, the greater the likelihood that the current or future use of the sign is taking, or will take, unfair advantage of the distinctive character or the repute of the mark or is, or will be, detrimental to them.”¹¹

24. And in *European Communities—Protection of trademarks and geographical indications for agricultural products and foodstuffs*, a WTO dispute-settlement panel noted in a similar vein:

“The TRIPS Agreement itself sets out a statement of what all WTO Members consider adequate standards and principles concerning trademark protection. Although it sets out standards for legal rights, it also provides guidance as to WTO Members' shared understandings of the policies and norms relevant to trademarks and, hence, what might be the legitimate interests of trademark owners. The function of trademarks can be understood by reference to Article 15.1 as distinguishing goods and services of undertakings in the course of trade. *Every trademark owner has a legitimate interest in preserving the distinctiveness, or capacity to distinguish, of its trademark so that it can perform that function.* This includes its interest in using its own trademark in connection with the relevant goods and services of its own and authorized undertakings. Taking account of that legitimate interest will also take account of the *trademark owner's interest in the economic value of its mark arising from the reputation* that it enjoys and the quality that it denotes.”¹²

25. To that extent at least, preventing or substantially restricting the use of a mark may prevent its development and the acquisition of well-known mark (or mark with a reputation) status and, consequently, the broader scope of protection associated with such status. For marks that have that status,

Agricultural Products and Foodstuffs (Complaint by Australia), WTO document WT/DS290/R (15 March 2005), paras. 7.609-7.615.

¹¹ Case C-487/07, at para. 44, referring to *Case C-252/07 Intel Corporation*, at paragraphs 67 to 69.

¹² *European Communities - Protection of Trademarks and Geographical Indications for Agricultural Products and Foodstuffs*, note 10, at para 7.664 (emphasis added).

preventing their use may mean demotion to “standard mark” status,¹³ without the additional protection afforded well-known marks (or marks with a reputation).

26. Actual use is relevant for all marks, not just well-known ones. It affects whether a trademark registration can be maintained, and the scope of protection that the trademark affords.
27. On the first point, TRIPS Article 19.1 provides that if “use is required to maintain a registration, the registration may be cancelled only after an uninterrupted period of at least three years of non-use, *unless valid reasons based on the existence of obstacles to such use are shown by the trademark owner*” (emphasis added). The Article continues: “Circumstances arising independently of the will of the owner of the trademark which constitute an obstacle to the use of the trademark, such as import restrictions on or *other government requirements for goods or services protected by the trademark*, shall be recognized as valid reasons for non-use” (emphasis added). The combination of a *right to register* independently of the nature of the product (assuming that use of the product in commerce is legal) and of the maintenance of registration in spite of measures that may bar use of the mark arguably point to--though not explicitly--those measures being of a *temporary nature*. Registration is maintained *because* use will start or resume at some point on the future.
28. Second, in many jurisdictions, the greater the distinctiveness of a mark (including distinctiveness acquired through the use made of the mark), the greater the strength of trademark owner’s rights against third parties.
29. That said, the trademark as a mere “negative right” argument has support in a literal interpretation of the Agreement because neither Article 16 nor any other provision in TRIPS explicitly grants a positive *right to use* a trademark.¹⁴ To that extent, Article 17, which limits the possibility of imposing exceptions on the rights conferred by Article 16, is not directly applicable.
30. On a policy level, however, the existence of provisions allowing and maintaining trademark registration based on use, combined with a prohibition on denying registration based on the nature of the goods or services, at least indicates that the *spirit* of TRIPS is to allow the use of marks. This view is supported by Article 20 of TRIPS (which prohibits certain encumbrances on the use of trademarks (see below)), and the

¹³ Even if registration is maintained in spite of non-use.

¹⁴ This point is made in a number of published comments, including Allyn Taylor, Frank J. Chaloupka, Emmanuel Guindon & Michaelyn Corbett, *Tobacco Control in Developing Countries* Ch. 14 (World Bank, 2000).

prohibition on any form of compulsory licensing of trademarks (TRIPS Article 21): WTO Members may not allow a *third party* to use a trademark without the owner's consent.

31. An ontological argument can also be made in this context. A *trademark* is, by its very nature, meant to be used in trade (commercially). Put differently, a trademark must exist in trade to be a trademark at all. Logically, therefore, it makes little sense to allow registration of marks and ban their use in commerce.

TRIPS Article 20: The prohibition of certain encumbrances on the use of trademarks

32. It has been argued that TRIPS Article 20 indirectly provides a right to use a trademark. Moreover, as set below and in Sections V, VII and VIII of this report, Article 20 is key to assessing whether plain packaging measures (and certain other tobacco product packaging rules) would be compatible with TRIPS. It states that:

The use of a trademark in the course of trade shall not be unjustifiably encumbered by special requirements, such as use with another trademark, use in a special form or use in a manner detrimental to its capability to distinguish the goods or services of one undertaking from those of other undertakings. This will not preclude a requirement prescribing the use of the trademark identifying the undertaking producing the goods or services along with, but without linking it to, the trademark distinguishing the specific goods or services in question of that undertaking. (Emphasis added.)

33. The first sentence of Article 20 seems to imply a “right to use” a trademark because otherwise there would be no need to cabin the power of WTO Members to “encumber” such use.
34. More importantly, in order to assess whether a plain packaging measure (and certain other tobacco product packaging rules) is compatible with Article 20, a WTO panel would consider whether the measure is (a) a “special requirement” that (b) “encumbers” the use of a trademark, and if so, (c) whether it is justified. I turn now to parts (a) and (b) of this test. The meaning of justification is explored in Section V below.

(a) “Special requirement”

35. To fall within Article 20, an encumbrance *by a special requirement* must be “required”. The plain meaning of the term indicates that something imposed by law or regulation is “required”. This is compatible with the

interpretation of Article 20 in *Indonesia-Automobiles*,¹⁵ the only WTO dispute-settlement panel case in which there has been a substantive finding on Article 20. The case dealt with a “requirement” that a national trademark be used in conjunction with other marks on cars made under a national incentive program. Foreign car makers entered into this program voluntarily. The alleged encumbrance in that case thus resulted from *voluntary* measures taken by owners and as such were not “requirements”.¹⁶ Conversely, if a measure had been imposed on all cars and not limited to those included voluntarily in the “National Car Programme”, the measure would have been a requirement.

36. The requirement must also be “special”. This term was interpreted in relation to TRIPS Article 13 in *United States- Article 110(5) of the Copyright Act*.¹⁷ The WTO dispute-settlement panel noted in this context:

“The term ‘special’ connotes ‘having an individual or limited application or purpose’, ‘containing details; precise, specific’, ‘exceptional in quality or degree; unusual; out of the ordinary’ or ‘distinctive in some way’.¹⁸

37. The term applied in the context of that case to an exception (to copyright rights in the U.S. Copyright Act). A requirement applicable only or primarily to tobacco packaging can be expected to fall within the above definition: It would have “limited application or purpose” and be “containing details; precise, specific”. The three *prima facie* examples given in Article 20, namely “use with another trademark, use in a special form or use in a manner detrimental to its capability to distinguish the goods or services of one undertaking from those of other undertakings”, are also compatible, due to their breadth, with this conclusion.

(b) “Encumbrance”

38. A measure prohibiting all non-word marks has been described as the ultimate encumbrance.¹⁹ It is self-evident, based on the normal meaning of terms, that a plain packaging measure preventing the use of a trademark (or any measure tantamount thereto) encumbers the trademark’s “capability to distinguish the goods or services of one undertaking from those of other undertakings”.²⁰ To encumber is to “hamper, impede, or burden” (Oxford English Dictionary). Non-word marks are trademarks as such and their use, particularly on a product, is a significant part of a trademark owner’s ability to distinguish “the goods

¹⁵ *Indonesia- Certain Measures Affecting the Automobile Industry*, panel report, document WT/DS54/R (2 July 1998), para. 14.278.

¹⁶ *Ibid* , para. 14.278.

¹⁷ WTO Document WT/DS160/R (15 June 2000).

¹⁸ *Id.* at para. 6.109.

or services of one undertaking from those of other undertakings.”
Trademark owners would unquestionably be *impeded* in their ability to distinguish their goods if a plain packaging measure prohibiting the use of non-word marks were imposed.

39. Some commentators have argued that Article 20 prevents WTO Members from imposing use of a mark in a special form but not use altogether because a complete prohibition does not encumber.²¹
40. As noted above, this argument is of questionable validity. How can Article 20 be interpreted to prohibit small(er) scale encumbrances on the use of marks (e.g., use in a special form) but not measures tantamount to a complete ban? If the policy underpinning of Article 20 is that certain measures are ultimately to the detriment of the ability of a mark to distinguish one’s goods or services, then that interpretation of Article 20 is not obvious. As Jürg Simon noted in the Cottier/Véron commentary on TRIPS:

“[G]overnments are barred from imposing conditions upon the usage of trademarks prescribing special forms or use which impedes the distinctive function of the mark [...] Art. 20 protects the integrity of the trademarks, their core function, i.e., especially their ability to distinguish the goods and services of one undertaking from those of other undertakings.”²²

41. Interestingly, an original (June 1990) TRIPS proposal on which the final version of Article 20 is based would have prohibited a requirement *limiting the function of a trademark as an indication of source*. Words chosen later during the negotiations were apparently meant to explain this notion, not transform it. Because prohibiting use entirely is preventing the function of the mark altogether, including its function as an indication of source, I find it unlikely that a dispute-settlement panel (a concept discussed in Section V below) would consider that a complete prohibition is acceptable because it is *more* than a special requirement.²³ Therefore, support for the view

¹⁹ See Nuno Pires De Carvalho, *The TRIPS Regime of Trademarks and Designs* (2006), at 323.

²⁰ TRIPS Article 20.

²¹ Andrew D. Mitchell, “The TRIPS-Consistency of Australia’s Move towards Plain Cigarette Packaging”, at 12. Professor Mitchell is referring to B. McGrady, “TRIPs and Trademarks: The Case of Tobacco” (2004), 3 *World Trade Review* 1, 53, at 61–64.

²² J. Simon, “TRIPS Article 20”, in: Th. Cottier and P. Véron, *Concise International and European IP Law* (Kluwer Law International 2008), at 58.

²³ IP Australia has stated that “[r]equiring plain packaging would be regarded as encumbering the ability of an entity to distinguish its goods through its trade marks from those of other entities. IP Australia’s understanding is that this Article was drafted with the intention of restricting measures like plain packaging.” (FOI 138 of 1660; Briefing by IP Australia to Parliamentary Secretary ref. B09/4084).

that plain packaging measures are compatible with TRIPS would have to be found elsewhere.

42. Additionally, and *even if a ban were found not to be an “encumbrance”*, several examples of proposed plain packaging statutes and regulations require tobacco and other companies to use *word marks* “in a special form.”
43. At a policy level, as a result of those types of measures, it becomes harder for tobacco product purchasers to distinguish one brand from another, that is, with no non-word marks and visually identical word marks. Additionally, with the mandatory extra information (pictures, warnings, etc.), packages will be increasingly identical. Plain packaging measures as described above (for example, as previously proposed in the UK²⁴ and Australia²⁵) may thus go against traditional principles of trademark law.²⁶
44. In common law countries, those principles have their root in the original tort of passing off, which prevented a merchant from putting another’s mark on his wares. Modern trademark theory has recognized that trademarks protect not only the owners of marks but also consumers, especially by reducing search costs.²⁷ Trademarks allow consumers to identify lawful products that they wish to purchase. They can normally expect a certain quality that they associate with a given trademark. By making all packages more or less similar, this function, which is tied to the essential function of a trademark to guarantee the origin of products bearing the mark, is impaired. This is ostensibly a situation that Article 20 and the TRIPS trademark section more generally were meant to prevent.
45. The situation is complex because of the different approaches to trademark protection in different countries. In countries with a civil law system, registration of a mark is the legal act that confers rights. Unregistered marks are not protected *as such*, although remedies are often available

²⁴ See note 4.

²⁵ See note 5.

²⁶ This dual function of trademarks is generally accepted independently of conclusions concerning plain packaging and TRIPS. In an article arguing that plain packaging is TRIPS-compatible, Freeman, Chapman & Rimmer note the “the broader public interest in providing accurate information to consumers.” B. Freeman, S. Chapman, & M. Rimmer (2008), “The case for the plain packaging of tobacco products”. 103 *Addiction* 4, 580. Arguing that plain packaging rules violate TRIPS, Katz and Dearden refer along similar lines that “basic purposes of trademarks, which are to permit identification of products and brands, and to avoid both confusion by consumers and unfair competition.” Julius L. Katz & Richard G. Dearden, *Plain Packaging & International Trade Treaties*, in: Luik J, ed. *Plain packaging and the marketing of cigarettes* (Oxfordshire: Admap Publications, 1998). See also *AIPPI, Yearbook 1984/I*, pages 162 - 165 Q80 (32nd Congress of Paris, May 22 - 27, 1983).

²⁷ See W. M. Landes & R.A. Posner, *The Economic Structure of Intellectual Property Law* (Belknap Press, 2003), at 185–86.

under general rules concerning unfair or parasitic competition. In Anglo-American common law systems, trademark law originated as the judicially created tort of passing off. Registration is not required to obtain relief under tort law. Whilst registration of trademarks is possible in most if not all common law jurisdictions, it is usually considered more as “confirmation of title”, though one which typically broadens the scope of the holder’s rights.²⁸ Where registration for *intended* use is possible, it only creates inchoate rights because in common law systems, rights in a mark arise from use. Prohibiting use (on products the sale of which is legal) amounts to denying the possibility of obtaining and maintaining protection and in many jurisdictions would have an effect on the scope of that protection.

46. One might suggest using a sliding scale to gauge whether a particular measure amounts to an encumbrance. Indeed, *actual outcomes* and effects of a measure are relevant in the context of trade law, as is explained in the dispute-settlement Section (V) below. For example, a measure requiring that the mark not occupy more than a very small designated space would likely prevent the mark from performing its function. Arguably requiring that the mark be affixed only on a small side of the package or on a side that consumers are unlikely to see would have the same effect. That said, determining the minimal size and features to allow a mark to perform its core function is a fact-intensive enquiry. Relevant factors would include, for example, where consumers typically purchase the product and how (including distance from the product).
47. In light of the foregoing analysis, it seems reasonable to conclude that Article 20 scrutiny does apply to plain packaging (and other) measures that prevent trademarks from performing their functions, because they would be considered as encumbrances by special requirement.
48. The second, harder question is whether a *justification* exists for the encumbrance(s). The three examples of special requirements given in Article 20 (i.e. “use with another trademark, use in a special form or use in a manner detrimental to its capability to distinguish the goods or services of one undertaking from those of other undertakings”) are not *necessarily* unjustified. When a named special requirement is imposed, the burden of proving the justification rests on the WTO Member imposing it. Thus, requiring use of word marks in a special form requires a valid justification. Because non-word mark prohibitions are a higher level of encumbrance, it seems logical to require this evidence as well. I return to the notion of

²⁸ For example, while passing off is only actionable where the initial (or senior) mark was known and used, registration may allow the holder to sue users of infringing marks throughout the country or region where the mark is registered. Additional remedies (for example treble damages in US law) may also be available for registered marks.

justification in Section V below, where I discuss the dispute-settlement implications of prohibitions on the use of non-word marks and restrictions on the use of word marks.

TRIPS Article 8: TRIPS Principles and public health

49. Another relevant TRIPS provision is Article 8, which reads as follows:

Members may, in formulating or amending their laws and regulations, adopt measures necessary to protect public health and nutrition, and to promote the public interest in sectors of vital importance to their socio-economic and technological development, provided that such measures are consistent with the provisions of this Agreement.

50. Whether Article 8 allows a WTO Member to “override” incompatibility with another provision of the TRIPS Agreement requires two separate determinations. First, the TRIPS negotiators chose to subject the principle in Article 8, at least as it applies to public health and nutrition, to a test of necessity. In other words, is the measure *necessary* to protect public health? I come back to this test in Section V of this report. Second, is the measure “consistent with the provisions of this Agreement”? This proviso was added during the negotiation to the original language proposed for this provision and it forms part of the bargain.

51. Referring to Article 8, three Australian commentators opined as follows:

“It has long been recognised that member states may take advantage of flexibilities within TRIPS – such as limitations, exceptions, compulsory licensing, and state use – to address public health concerns. The Doha Declaration on Public Health and TRIPS 2001 and the WTO General Council Decision 2003 provide support for such measures in the context of access to essential medicines. *The same would be true of tobacco regulation.*”²⁹

52. While I do not disagree with the view that the 2001 Declaration and the 2003 Decision are relevant to TRIPS, this statement begs other questions, namely *whether, and if so why*, one can apply the 2001 and 2003 texts to the plain packaging context. The 2001 Declaration noted that “[the Ministers] agree that the TRIPS Agreement does not and should not prevent members from taking measures to protect public health.”³⁰ There is a significant difference, however, between the 2001 and 2003 documents. The 2001 text is a *declaration*, an important text but not one which can amount to an amendment to the TRIPS Agreement. A *decision*, such as the 2003 text (which does not speak directly to plain packaging

²⁹ *Ibid.* note 26 (emphasis added).

³⁰ Declaration on the TRIPS agreement and public health Adopted on 14 November 2001, WTO Document WT/MIN(01)/DEC/2 (20 November 2001).

measures or measures requiring enlarged health warnings), is operational and has higher legal status. In fact, the 2003 decision has now been implemented by a formal amendment to the TRIPS Agreement, namely Article 31 *bis*.³¹

53. The difference matters. While the general reference to the 2001 Declaration's "does not and should not prevent" language requires careful scrutiny in a dispute-settlement context, it is relevant that this language is contained in a declaration, not a decision. One question that one might consider, for example, is whether the 2001 Declaration, which does not contain the necessity requirement, "deleted" this requirement from Article 8. Or was it simply a political statement of the normative underpinning of the principle expressed in Article 8? Given that the last words of Article 8 were specifically added during the negotiation of the Agreement, I find it more likely that a panel would opt for the latter conclusion. Article 8 was not written as an exception to the rules in a WTO Agreement (unlike, say, GATT Article XX or TRIPS Article 30) but rather as a statement of principle.
54. It also seems unlikely that the 2001 Declaration would be considered an interpretation under Article 9:2 of the *Agreement Establishing the World Trade Organization*, given that (a) it was not presented as such³²; and (b) ostensibly its language is not that of an interpretation of TRIPS.
55. Hence, I do not believe that a WTO panel would interpret Article 8 as meaning that Article 20 scrutiny does not apply at all to a plain packaging or enlarged health warning measure because it was adopted as a public health measure. A measure which affects trademarks and encumbers their use either by imposing a prohibition on non-word marks or use in a special form of word marks is open to Article 20 scrutiny even if it has a public health objective. However, Article 8 and the 2001 Declaration inform the analysis of the justification and necessity tests, an important matter I return to in the dispute-settlement Section (V) below.

IV. The Paris Convention

56. The Paris Convention's substantive provisions were incorporated into the TRIPS Agreement. Two provisions of the Convention are often mentioned in relation to plain packaging for tobacco products, namely Articles 6 *quinquies* A and B, and Article 7.

³¹ Article 31 *bis* concerns the compulsory licensing of pharmaceutical products to least-developed countries.

³² I am referring here to the formal request by the European Communities to the General Council for an interpretation of a number of provisions of the Dispute-Settlement Understanding, WTO document WT/GC/W/133 (25 January 1999) and related document WT/GC/W/143 (5 February 1999).

57. There are three reasons to explore the Convention's possible application to plain packaging:

- a. First, Article 7 of the Convention (which is reflected in TRIPS Article 15.4) contains a right to register a trademark independently of the nature of the goods to which it is applied. This is an indicator that the *spirit* of the Paris Convention is to permit the use of marks.
- b. Second, proponents of plain packaging have suggested that Article 6*quinquies* (which states that trademarks may be denied registration or invalidated when the mark is "contrary to morality or public order and, in particular, of such a nature as to deceive the public") could be used as a basis for implementing plain packaging. As is explained below, this Article does not apply to any one category of products as such.
- c. Third, it has been suggested by proponents of plain packaging that these Articles of the Paris Convention are evidence that there is no right to use a trademark. As explained below, while these Articles do not contain an explicit right to use a mark, there are reasons to conclude that the actual use of trademarks is at their heart.

58. Let us consider these three points.

(a) Article 7: The nature of the goods shall not form an obstacle to the registration of the trademark

59. Article 7, which is discussed above in connection with TRIPS Article 15.4, provides that "the nature of the goods to which a trademark is to be applied *shall in no case form an obstacle* to the registration of the mark" (emphasis added). First, this means that if a WTO Member were to prohibit the registration of trademarks because they are for tobacco products, that would be contrary to the Paris Convention (and TRIPS, under TRIPS Article 15.4). Second, although this Article does not contain an explicit right to use a trademark, as set out in paragraph 30 above (in relation to TRIPS), a prohibition on denying registration based on the nature of goods is also an indicator that the *spirit* of the Paris Convention is to allow the use of marks.

(b) Article 6quinquies: The public order exception

60. It has been suggested that tobacco trademarks fall within the exception in Paris Article 6*quinquies*(B)(c), which can therefore be used to support the introduction of plain packaging. Article 6*quinquies* provides in part that "[e]very trademark duly registered in the country of origin shall be accepted for filing and protected as is in the other countries of the Union, subject to the reservations indicated in this Article" and further that:

B. - Trademarks covered by this Article may *be neither denied registration nor invalidated* except in the following cases:

- a. when they are of such a nature as to infringe rights acquired by third parties in the country where protection is claimed;
- b. when they are devoid of any distinctive character, or consist exclusively of signs or indications which may serve, in trade, to designate the kind, quality, quantity, intended purpose, value, place of origin, of the goods, or the time of production, or have become customary in the current language or in the bona fide and established practices of the trade of the country where protection is claimed;
- c. when they are contrary to morality or public order and, in particular, of such a nature as to deceive the public. It is understood that a mark may not be considered contrary to public order for the sole reason that it does not conform to a provision of the legislation on marks, except if such provision itself relates to public order. (emphasis added)

61. This Article therefore provides that a trademark may be denied registration if it is contrary to public order or morality or of such a nature as to deceive the public. The public order exception has traditionally been rather narrow. It *concerns the mark, not the product*. The Guide to the Paris Convention refers to “a mark contrary to the basic legal or social concepts of the country concerned. Examples of such marks could be a mark containing a religious symbol, or a mark containing the emblem of a forbidden political party.”³³ The reference to deceptive marks was added in 1934. It was designed to capture marks “containing suggestions that the goods concerned possessed non-existing qualities, or unjustified references to rewards or to protection by a patent etc.”³⁴ It is not obvious to see how this applies to the brand name of a product as such, so this Article could not provide a justification for restricting tobacco trademarks generally.

(c) The Paris Convention and a possible right to use

62. It has been said that the Paris Convention cannot found a right to use a trademark because (a) it is possible to ban the sale or use of a product; and (b) the Convention does not contain an explicit right to use a trademark or an express prohibition on banning the use of trademarks.

³³ G.H.C. Bodenhausen, *Guide to the Paris Convention* (BIRPI, 1967), at 116.

³⁴ *Id.*

63. In relation to the first point, in a letter from WIPO in 1994, Dr Ludwig Bauemer argued that “countries party to the Paris Union remain free to regulate or prohibit the sale of certain types of goods, and the fact that a mark has been registered for such goods does not give the right to the holder of the registration to be exempted from any limitation or prohibition of use of the mark decided by the competent authority of the country where the mark is registered.” There are two statements here and, with respect, I consider them somewhat unrelated.
64. First, no one doubts that WTO Members can ban the sale of certain products (e.g. pharmaceuticals, fireworks, alcohol and tobacco). However, it does not follow that they can impose *any kind of prohibition* on the use of trademarks on products the sale of which is legal. The latter issue depends on a different set of rules (i.e. under TRIPS, particularly those set out in this report).
65. Second, the main argument *against* the application of Articles 6*quinquies* and 7 to plain packaging is that they are silent on any right to use a mark.
66. As mentioned in paragraph 59 above, there are indications that the spirit of the Paris Convention is to permit use. This is reinforced by Paris Article 6*quinquies*' confirmation that trademarks can only be invalidated in limited circumstances. In addition, Article 6*quinquies* was adopted at the 1956 Lisbon Conference based on a proposed Association Internationale pour la Protection de la Propriété Intellectuelle (AIPPI) text.³⁵ That same year, the AIPPI had adopted a proposal that the following words be added to Article 7:
- “The exclusive right of the owner or right holder to use a mark thus registered or renewed cannot be prohibited or limited when the sale to which it applies is legal.”³⁶
67. The proposal--or a version thereof--received some support but the modified text adopted by the drafting committee did not contain the AIPPI language.³⁷ Nevertheless, this shows the normative underpinning of the registrability provisions, namely that if a mark owner is given a right to register it is because the mark is meant to be used in commerce.

³⁵ See AIPPI, Yearbook 1954, No 5, 3rd Series, 57th Year, pp. 91 - 94 [originally in French].

³⁶ Author's translation. The proposal is reproduced in the *Actes de la Conférence réunie à Lisbonne du 6 au 31 octobre 1958* (Geneva : BIRPI, 1963) p, 694. The original text read as follows in French : “Le droit exclusif, pour le propriétaire ou son ayant cause, d'utiliser une marque ainsi enregistrée ou renouvelée, ne pourra pas être supprimé ou limité, lorsque la vente du produit qu'elle désigne est licite.”

³⁷ *Ibid.* p. 763. The adopted text--and the text of the 1967 Act--of the Convention remain similar to the 1883 (original) text. Article 6*quinquies* was adopted at Lisbon, also based on a proposed AIPPI text. See AIPPI, Yearbook 1954, No 5, 3rd Series, 57th Year, pp. 91 - 94 [originally in French].

68. In summary, there may be legitimate differences of opinion as to whether a plain packaging measure accords with Article 6 *quinquies* and Article 7 of the Paris Convention.³⁸ Nevertheless, if plain packaging measures were to lead to a denial of registration of trademarks because they are associated with tobacco products, such measures can be expected to be found incompatible with the Paris Convention.

V. Dispute-settlement

The application of the WTO dispute settlement process

69. That WTO rules apply to plain packaging is rather obvious and suggestions that trade law should yield completely because a public health objective is being pursued are not credible.³⁹

70. Relevant trade rules include the TRIPS Agreement. The debate leading to the adoption of Article 31 *bis* of TRIPS is an indication that trade law applies even where major public health concerns are at stake (in that case, the debate focused, at least initially, on malaria, tuberculosis and HIV/AIDS). Trade law imposes constraints and parameters on measures that affect trade. That is not a normative claim—it is a plain statement of the law as it stands. Plain packaging measures may fall into that category and trade law scrutiny is thus appropriate.

71. This does not mean that the fact that public health is involved is irrelevant. The opposite is true. The nature of the purpose informs the application of the relevant tests.

72. Under Article 64 of TRIPS, a WTO Member may challenge the TRIPS-compatibility of another WTO Member's laws (or other actions) in accordance with the WTO Dispute Settlement Understanding.⁴⁰ In summary, that process is as follows:

³⁸ Two additional arguments in the literature, which have been used to justify the incompatibility of plain packaging rules with the Paris Convention, are that (i) in prohibiting the use of foreign non-word marks, such marks are not “protected” in “other countries of the Union”; and (ii) tobacco-related marks do not fit any of the (exhaustive) cases mentioned in the list of possible reasons to deny registration or to invalidate a mark and thus, *a fortiori*, absent any of those grounds, a Paris Union (and/or WTO) Member cannot prohibit the use of those marks. See Alan Bennett, Sydney University, *Submission on Plain Tobacco Packaging (Removing Branding from Cigarette Packs)* 2009; Memorandum from LALIVE to Phillip Morris Management, *Why Plain Packaging is in Violation of WTO Members' International Obligations Under TRIPS and the Paris Convention* (2009).

³⁹ For example, if a WTO Member decided to impose a measure on *foreign marks only*, no one would seriously doubt that a violation of national treatment (rule against discrimination) had occurred.

⁴⁰ Formally, the Understanding on Rules and Procedures Governing the Settlement of Disputes, Annex 2 of the Agreement Establishing the World Trade Organization.

- a. If the WTO Members are not able to resolve the dispute amicably in bilateral consultations, the complaining WTO Member can ask for a WTO dispute-settlement panel to be appointed.
- b. Once that WTO panel is appointed, each WTO Member (and other WTO Members if they so wish) will have an opportunity to present its case. There are generally further exchanges of evidence and the Panel may seek information from any relevant source. It may consult experts to obtain their opinion on certain aspects of the matter. With respect to a factual issue concerning a scientific or other technical matter raised by a party to a dispute, a panel may also request an advisory report in writing from an expert review group.⁴¹
- c. The WTO panel will then prepare its report (drafts of which are shared with the parties) on compatibility of the relevant measures with TRIPS.
- d. The final WTO panel report is submitted to the parties and then to all WTO Members.
- e. If the WTO panel decides that there has been a breach of a WTO Member's obligations under TRIPS, the panel suggests how that WTO Member could remedy the breach.
- f. The WTO panel report automatically becomes a ruling of the WTO Dispute Settlement Body if it is not rejected by a consensus of that Body.
- g. Both sides can appeal the report to the permanent seven-member Appellate Body, established by the WTO Dispute Settlement Body.⁴²
- h. A violation of a WTO Agreement, including TRIPS, that is not corrected within a reasonable period of time by the abandonment of, or required changes to, an impugned measure may lead to the imposition of retaliatory trade sanctions under the supervision of the WTO Dispute Settlement Body.

Necessity and Justification

73. As set out in Section III above, the two applicable tests relevant to a WTO complaint about a plain packaging measure are *justification* (under TRIPS Article 20) and *necessity* (under TRIPS Article 8). Under the former, a WTO Member must be able to demonstrate that a measure is justified. Under

⁴¹ See the Dispute Settlement Understanding, Article 13.2 and Appendix 4.

⁴² See *ibid.*, Article 17.1.

the latter, the measure must be necessary. In both cases, the measure must pursue a legitimate public policy objective.

74. A party invoking an exception to TRIPS (such as under Article 20) has the burden of demonstrating that the measure comes within the scope of permitted exceptions.⁴³ In *US-Gasoline*, the panel, in a finding not reviewed by the Appellate Body, determined that it is *not the policy goal* that is subject to a test of necessity (though it remains subject to a test of legitimacy), but rather whether the *measure at issue* was necessary to achieve such goal.⁴⁴

75. The necessity test has frequently been used to determine the validity of measures that would otherwise be in violation of trade obligations enshrined in WTO instruments. It is the test for the main exception filter in the GATT (the main trade agreement administered by the WTO), namely Article XX. It is also contained in Article 8 of the TRIPS Agreement as was noted above.

76. The GATT has already considered the issue of whether tobacco consumption reduction is a legitimate public health objective under GATT Article XX(b).⁴⁵ A dispute-settlement panel accepted that smoking constituted a serious risk to human health and that consequently measures designed to reduce the consumption of cigarettes fell within the scope of Article XX(b) (public health). The panel noted that this provision allowed contracting parties⁴⁶ to give priority to human health over trade liberalization; however, for a measure to be covered by Article XX(b) it had to be “necessary”. The panel noted that:

“[A] previous panel had discussed the meaning of the term ‘necessary’ in the context of Article XX(d), which provides an exemption for measures which are ‘necessary to secure compliance with laws or regulations which are not inconsistent’ with the provisions of the General Agreement [GATT]. The panel had stated that ‘a contracting party cannot justify a measure inconsistent with other GATT provisions as ‘necessary’ in terms of Article XX(d) *if an alternative measure which it could reasonably be expected to employ and which is not inconsistent with other GATT provisions is available to it*. By the same token, in cases where a measure consistent with other GATT

⁴³ *United States – Standards for Reformulated and Conventional Gasoline*, Panel Report, WTO Document WT/DS2/R (20 May 1996), para. 6.20. This finding was not reviewed by the Appellate Body (document WT/DS2/AB/R; DSR 1996:I).

⁴⁴ *Ibid.*, at para. 6.22.

⁴⁵ *Thailand - Restrictions on Importation of and Internal Taxes on Cigarettes*. Report of the Panel. GATT document DS10/R - 37S/200, adopted 7 November 1990.

⁴⁶ The GATT, the predecessor to the WTO, was not an organization but only a contract. As such legal documents referred not to “members” but to “contracting parties”.

provisions is not reasonably available, a contracting party is bound to use, among the measures reasonably available to it, that which entails the least degree of inconsistency with other GATT provisions.”⁴⁷ (Emphasis added.)

77. In the *US-Shrimp* case,⁴⁸ the WTO Appellate Body⁴⁹ noted that the test of necessity (in that case, under GATT Article XX) required that the goal of a measure have an important and legitimate character, which tobacco control measures to reduce consumption would have, as determined in *Thailand-Cigarettes*. However, a balance must be struck between the right of a Member to use exceptions to adopt such a measure and its duties vis-à-vis other WTO Members.⁵⁰ One of the factors to consider is the kind and scope of the measure at stake.⁵¹ If the importance of the objective pursued weighs in favor of a finding of necessity, there is a reasonable case for saying that, applying this to the justification test in Article 20 of TRIPS, a major encumbrance (such as a prohibition on using a trademark) may require a higher level of justification than a smaller scale special requirement imposed on a mark.

78. In *EC-Asbestos*, the Appellate Body concluded that a measure was necessary under GATT Article XX(b) if an alternative, GATT-compatible measure that would be reasonable for a WTO Member to adopt was not available.⁵² To paraphrase this report and *Thailand-Cigarettes*, the test is whether there is a reasonably available, less trade-restrictive way of achieving the objective. Factors to be taken into account in deciding whether a measure is reasonably available include the difficulty of implementation⁵³ and the extent to which the “alternative measure contributes to the realization of the end pursued.”⁵⁴ In *EC-Asbestos*, the Appellate Body noted that the more vital or important the goal being (in that case, asbestos exposure reduction) pursued, the easier it was to

⁴⁷ *Thailand-Cigarettes*, at paras. 73-74. The case referred to is *United States - Section 337 of the Tariff Act of 1930* (document L/6439, paragraph 5.26, adopted on 7 November 1989).

⁴⁸ *United States – Import Prohibition of Certain Shrimp and Shrimp Products*, Appellate Body Report, WTO Document WT/DS58/AB/R, at para. 121.

⁴⁹ Under the previous, GATT system, a dispute led to a panel report which would then have to be adopted by consensus by GATT Contracting Parties to have legal enforceability. This meant that the losing party could functionally veto the adoption of a report. Under the WTO system (since 1 January 1995), panel reports are subject to a negative consensus adoption rule (that is, there must be a consensus not to adopt). Additionally, panel reports can be appealed to a standing Appellate Body.

⁵⁰ *Ibid.*, at paras. 156-159.

⁵¹ *Ibid.*

⁵² *European Communities – Measures Affecting Asbestos and Asbestos-Containing Products*, Appellate Body Report, WTO Document WT/DS135/AB/R.

⁵³ See *Thailand – Restrictions on Importation of and Internal Taxes on Cigarettes*, Panel Report, GATT Document BISD 37S/200 (7 November 1990).

⁵⁴ *Korea – Measures Affecting Imports of Fresh, Chilled and Frozen Beef*, Appellate Body Report, WTO Document WT/DS161/AB/R and WT/DS169/AB/R, at para. 163.

accept a measure as necessary⁵⁵ adding that there was no alternative measure to the prohibition of asbestos because controlled use could not be shown to achieve the end sought by France. That conclusion was based on the basis of extensive and essentially uncontroverted evidence presented to the panel and reviewed by the Appellate Body.

79. Applying those findings to the plain packaging context, the issue is thus threefold. First, is a legitimate policy goal stated? Second, are plain packaging measures likely to achieve their stated goal? Third, do reasonable, less restrictive alternatives to plain packaging exist to meet the goal (taking into account that a major encumbrance, such as a prohibition on using a trademark, may require a higher level of justification than a smaller scale special requirement imposed on a mark)?
80. On the first point, the legitimate goal is the end, not the means. Preventing or directing the use of trademarks on packaging is not a legitimate goal *per se*. However, it may be the means to the stated end, which I assume is an overall reduction in tobacco use (and/or stopping minors from starting to smoke). That is, as already stated, a legitimate public health objective.
81. On the second point (whether plain packaging measures are likely to achieve their stated goal), panels may inquire to see if, on the basis of expert and/or empirical evidence, a trade-restrictive measure is reasonably expected to achieve the stated objective. There is no intellectual property precedent (that is, under TRIPS) in which a WTO panel has considered the necessity of a measure under Article 8, but the test of necessity and the determination of the validity of a trade-restrictive measure in a TRIPS dispute would likely be informed by precedents in other areas of WTO law.
82. A number of cases suggest how a WTO panel would assess the third limb of the test (whether reasonable, less restrictive alternatives to plain packaging exist to meet the goal) by reference to the available evidence.
83. For example, in a GATT case known as *Tuna/Dolphin*, which dealt with restrictions on the importation of tuna from Mexico that was not “dolphin safe”,⁵⁶ the United States imposed discriminatory measures on Mexican fishermen that were found *unnecessary* from an environmental perspective. “For example, although Mexican fishermen could kill twenty-five per cent more dolphins than U.S. fishermen in the eastern tropical Pacific yellowfin tuna fishery, this number was based on the number of dolphins actually killed by U.S. fishermen. Thus, Mexican fishermen could not know until the end of the season whether their dolphin mortality rate was consistent with U.S. restrictions. Imposing a quota would have been a

⁵⁵ See note 52, at paras. 170-173.

⁵⁶ *US-Tuna (Mexico)*, panel report 3 September 1991, BISD 39S/155 (unadopted).

much more sensible approach from both a trade perspective and an environmental perspective, and provided that the quota bore some relationship to the biological needs of dolphins.”⁵⁷

84. Also possibly relevant are two WTO panel reports that discussed the risk assessment that a WTO member should perform before adopting measures under the WTO Agreement on the Application of Sanitary and Phytosanitary (SPS) Measures.⁵⁸ Even though that Agreement contains a specific risk assessment regime, the two cases demonstrate that a panel may and probably should review the evidence used to support the adoption of a measure. These cases therefore suggest that a panel would consider whether a plain packaging measure is justified under Article 20 by reference to available evidence.

85. While I cannot provide an expert view on the availability or reliability of available evidence that a specific plain packaging measure will achieve stated goals, it seems fair to say that there is *some* evidence that certain proposed plain packaging measures do not work as planned and may even have unintended consequences.⁵⁹ Additionally, one might argue that plain packaging must be distinguished from - for example - advertising-related

⁵⁷ Wold, C (2010), ‘Taking Stock: Trade's Environmental Scorecard after Twenty Years of “Trade and Environment”’, *Wake Forest Law Review* 45, 319-354, at 327.

⁵⁸ Panel report, *Australia – Measures Affecting the Importation of Apples from New Zealand*, WT/DS367/R, 9 August 2010, para. 7.211. Panel report, *Japan – Measures Affecting the Importation of Apples*, WT/DS245/R, 15 July 2003, para. 8.230. See also Appellate Body Report, *Japan–Measures Affecting the Importation of Apples*, WT/DS245/AB/R, 26 November 2003. In that case, the panel had found, and the Appellate Body agreed, that the relevant scientific evidence reviewed by the panel and by its scientific experts was that the risk that mature, symptomless apple fruit would transmit fire blight was negligible. The Appellate Body also confirmed that the panel did not have to follow the evaluative (scientific) method adopted by Japan.

Under Article 5.1 of the SPS Agreement, 1 “Members shall ensure that their sanitary or phytosanitary measures are *based on an assessment, as appropriate to the circumstances, of the risks to human, animal or plant life or health, taking into account risk assessment techniques developed by the relevant international organizations.*” (emphasis added)

⁵⁹ The effectiveness of restrictions associated with plain packaging on the use of marks as opposed to the role of warnings is discussed, *inter alia*, in *Commonwealth Brands, Inc. v U.S.* 678 F.Supp.2d 512 (W.D.Ky. Jan 05, 2010). See also, the UK Department of Health “Consultation on the future of tobacco control” (31 May 2008), which stated (at paragraph 3.75) that the research evidence in support of mandating plain packaging is “speculative” because “there are no jurisdictions where plain packaging of tobacco products is required.” BASCAP (Business Action to Stop Counterfeiting & Piracy) and ACG (Anti-Counterfeiting Group) advocate against plain packaging on account of counterfeiting and illicit trade concerns. BASCAP’s concern ostensibly is that plain packaging would make counterfeits easier to make, distribute, and sell counterfeit tobacco products.

A similar view was expressed by the executive vice president of the US Chamber of Commerce's Global Intellectual Property Center, who commented that plain packaging would “increase global counterfeiting activities and empower illicit traffickers at the expense of legitimate business activity and consumer confidence” (World Trademark Review, February/March 2010).

measures because, unlike advertisements, one of the purposes of *marks on packs* is to allow the consumer to select and then purchase the desired product.

86. The argument that tobacco companies would not be contesting these measures if they were inefficient is inconclusive. It may well be that the plain packaging might induce users to change brands (*i.e.* reduce loyalty, which is the flip side of the consumer's reduced search costs mentioned in paragraph 44 above). This is a matter which should be determined empirically and not left to conjecture.
87. In summary, the test of *necessity* would apply to a Member invoking TRIPS Article 8 (as informed by the Doha Declaration) and that Member would have to show that the plain packaging measure was necessary (including because no reasonably available, less trade-restrictive measure is reasonably available), as those expressions were defined above.

Justification under TRIPS Article 20

88. The main debate in a plain packaging dispute-settlement context would likely focus on Article 20 and its *justification* test.
89. In a number of cases, justification and necessity were intertwined in the terminology used by GATT and WTO panels.⁶⁰ The use of evidence to justify a measure has been part of a panel's mandate in those cases and this is likely a feature common to both tests.
90. This view is supported *inter alia* by a recent case concerning rethreaded tires, in which the panel considered whether environmental concerns were used as an excuse rather than as the core justification for banning the importation into Brazil of used tires.⁶¹ Although the case concerned the GATT itself, it might inform the application of the justification test in Article 20.
91. The Brazilian measure at issue had a clear and legitimate public policy objective, namely reducing exposure to the risks to human, animal, and plant life and health arising from the accumulation of waste tires. Brazil used Article XX of the GATT to justify its adoption. The Appellate Body noted that “[i]n order to justify an import ban under Article XX(b), a panel

⁶⁰ A number of cases actually refer to the justification under Article XX. See *US - Shrimp* (Appellate Body) at para. 121 (note 48); *US - Gasoline* (Appellate Body), WT/DS2/AB/R, 29 April 1996, p. 22.

⁶¹ Appellate Body report, *Brazil - Measures Affecting Imports of Retreaded Tyres*, WT/DS332/AB/R, 3 December 2007. This report has recently been referred to in the panel report in *Thailand - Customs and Fiscal Measures on Cigarettes from the Philippines*, WT/DS371/R, 15 November 2010.

must be satisfied that it brings about a material contribution to the achievement of its objective.”⁶² That lesson is germane to the matter under consideration. As with the necessity analysis, the determination rests on empirical or other expert evidence or, to quote the WTO Appellate Body, on “quantitative projections in the future, or qualitative reasoning based on a set of hypotheses that are tested and supported by sufficient evidence.”⁶³ In that case, the Appellate Body found the measure incompatible with Brazil’s obligations but on the basis that they were applied in a manner that constituted arbitrary or unjustifiable discrimination.

92. A panel applying TRIPS Article 20 to a plain packaging measure probably would consider both whether a measure was the least trade-inconsistent option⁶⁴ and prevailing *scientific* consensuses.⁶⁵ A panel may thus consider whether a measure is the result of an international (though not necessarily multilateral) negotiation and nascent consensus, as opposed to, say, a unilateral measure adopted by one WTO Member.⁶⁶ This approach illustrates the paradigmatic free trade agenda that the WTO is meant to safeguard.

93. The justification test in Article 20 would have to be interpreted in a dispute-settlement context before allowing an encumbrance otherwise prohibited under that Article to be considered TRIPS-compatible. Justification has been treated as close to necessity in previous cases, though not expressly. Given that public health objectives in TRIPS Article 8 are principles subject to a test of necessity, there is a case for the meaning of these notions to overlap. That said, on one view a panel may conclude that justification is not as stringent as necessity. For example, justification may be interpreted as meaning that the measure should implement the stated objective without necessarily being the least trade-restrictive. However, the WTO Member defending a *prima facie* TRIPS

⁶² *Brazil--Tyres* at para. 151 (emphasis added). See also Appellate Body Report, *United States--Standards for Reformulated and Conventional Gasoline*, note 60 at para. 4.

⁶³ *Ibid.*, Appellate Body at para 151. The Appellate Body also noted that in applying the test of necessity, “a panel must consider the relevant factors, particularly the importance of the interests or values at stake, the extent of the contribution to the achievement of the measure's objective, and its trade restrictiveness.” (para. 178). The last element focuses on the existence of alternative measures.

⁶⁴ Report of the Panel, *United States -- Section 337 of the Tariff Act of 1930*, L/6439, 16 January 1989, 36 BISD 345, para. 5.26. See also Nathalie Bernasconi-Osterwald et al. (2006), *Environment and Trade: A Guide to WTO Jurisprudence* (London: Earthscan Publications Ltd), at 160.

⁶⁵ Although a worldwide consensus may not be required, any minority view would need to have significant support to be persuasive in any TRIPS-compatibility assessment.

⁶⁶ See Section VI below in relation to the FCTC. See also Hawkins, S (2008), ‘Skirting Protectionism: A GHG-Based Trade Restriction under the WTO’, *Georgetown International Environmental Law Review* 20, 427-450, at 428.

incompatible measure would still need to establish that the measure will be effective in achieving the stated objective.

94. As can be observed, a number of GATT and WTO cases have dealt with important public policy (health and environment) issues. But trade rules, including those contained in the TRIPS Agreement, remain relevant. They prevent discrimination and impose a burden of proving that a measure is genuinely necessary or justifiable. In *US-Gasoline*, the Appellate Body made it clear that it is not the ability of WTO Members to take those measures that is jeopardized if there is a legitimate public policy objective at stake, but rather the need to coordinate policies on trade and other public policy concerns.⁶⁷ WTO Members have a large measure of autonomy to determine their own policies, but that autonomy is “circumscribed only by the need to respect the requirements of the General Agreement [GATT] and other covered agreements”, such as TRIPS.⁶⁸

VI. Application of the WHO’s Framework Convention on Tobacco Control (FCTC)⁶⁹

95. The FCTC was adopted by the World Health Assembly on 21 May 2003 and entered into force on 27 February 2005. It contains provisions regarding tobacco packaging but does not require the parties to the FCTC to adopt plain packaging measures.⁷⁰ Nevertheless, one might suggest that plain packaging would be compatible with TRIPS because of the FCTC. It is therefore relevant to consider the normative status of the FCTC and what conclusions (if any) can be drawn from the FCTC in assessing the compatibility of plain packaging measures with TRIPS.

96. In interpreting various WTO Agreements, such as TRIPS, the WTO Appellate Body has repeatedly relied on the provisions of the Vienna Convention of the Law of Treaties as a primary source for interpretative guidance.⁷¹ The Appellate Body also found that WTO Agreements are “not to be read in clinical isolation from public international law”.⁷²

⁶⁷ *US- Gasoline* (note 60) at pp. 30-31. A similar point on the levels of health protection was made in *EC-Asbestos*, at para. 168.

⁶⁸ *EC-Gasoline*, *ibid.*

⁶⁹ Available at http://www.who.int/fctc/text_download/en/index.html.

⁷⁰ Plain packaging is not in the Convention but it is mentioned in paragraph 46 of the non-binding *Guidelines* concerning Article 11 (Parties “should consider” such measures). The *Guidelines* also mention that such measures “*may* increase the noticeability and effectiveness of health warnings and messages, prevent the package from detracting attention from them, and address industry package design techniques that may suggest that some products are less harmful than others.”

⁷¹ *Vienna Convention on the Law of the Treaties*, adopted 22 May 1969, opened for signature 23 May 1969, entered into force 27 January 1980, 1155 UNTS 331. In *India—Patent Protection for Pharmaceutical and Agricultural Chemical Products*, the Appellate Body

97. This principle, to which one might refer as the “non-clinical isolation doctrine”, was reflected in WTO reports that relied on the case law of international tribunals, namely the International Court of Justice, the European Court of Human Rights and the Inter-American Court of Human Rights, in interpreting the provisions of the WTO Agreement.⁷³ This should not, however, lead one automatically to the conclusion that forum-shopping, that is the development of norms outside the WTO followed by an attempt to impose them WTO during dispute-settlement proceedings, will succeed.⁷⁴ Hence the suggestion that TRIPS would be interpreted to “fit” the FCTC should be treated with utmost caution. The reliance by the WTO Appellate Body on public international law contained in non WTO instruments has been limited thus far to the application of well-accepted principles of international law.⁷⁵ Hence, there is no precedent for using the history and interpretation of FCTC as a blueprint for the interpretation of the TRIPS Agreement and/or to effect a reduction in the scope of stated obligations under the Agreement.⁷⁶
98. That said, when new norms are reflected in an instrument adopted outside the WTO by a large contingent of WTO members—and especially if parties to a WTO dispute have adhered to such instrument—the question might legitimately be brought to the attention of a panel and/or the Appellate Body.⁷⁷ Put differently, a panel or the Appellate Body may consider whether there is an international consensus, or even norms, supporting a measure that is *prima facie* incompatible with a WTO Agreement such as TRIPS.
99. The FCTC, which also has later-in-time status,⁷⁸ may thus be a relevant instrument. However, as explained above, the FCTC does not mandate

confirmed the general principle of applicability of Article 31 of the *Vienna Convention on the Law of Treaties* in interpreting the WTO Agreement, including the TRIPS Agreement. See doc. WT/DS50/AB/R, 19 December 1997, para. 46.

⁷² *United States—Standards for Reformulated and Conventional Gasoline*, doc.

WT/DS2/AB/R, 29 April 1996, para. III:B.

⁷³ *Ibid* fn 36, and *Japan—Taxes on Alcoholic Beverages*, doc. WT/DS8/AB/R, 4 October 1996, part D, n.19.

⁷⁴ For a human rights illustration, see Helfer, L R (1999), ‘Forum Shopping For Human Rights’, *University of Pennsylvania. Law Review* 148, 285-400.

⁷⁵ See Frankel, S, ‘WTO Application of the “Customary Rules of Interpretation of Public International Law” to Intellectual Property’, *Virginia Journal of International Law* 46 (2) 365-431.

⁷⁶ See *ibid* and Eres, T (2004), ‘The Limits of GATT Article XX: A Back Door for Human Rights?’, *Georgetown Journal International Law* 35, 597-635, at 624-25.

⁷⁷ Naturally, those outside norms could be integrated into the WTO. Interestingly, TRIPS Article 71(2) provides such a possibility for norms accepted by all WTO members but only for the purpose of adjusting the protection level higher.

⁷⁸ On later-in-time status, Article 30(4) of the Vienna Convention provides as follows:

When the parties to the later treaty do not include all the parties to the earlier one:

plain packaging.⁷⁹ It could be used as evidence that there is no international consensus on mandating plain packaging or any particular form of it.

VII. Enlarged Health Warnings

100. As mentioned above, as a matter of trademark law, governments are free to impose labeling requirements including health warnings on tobacco products as they deem appropriate. However, as also mentioned above, trade law tends to focus on *effects and actual outcomes*. Thus imposing a special requirement on tobacco products that do not leave enough space for trademarks to play their role would, in my view, amount to a special requirement (use in a special form) and thus be subject to Article 20 scrutiny.
101. To the extent that it can be shown that enlarged health warnings prevent or materially restrict the relevant trademarks from performing their functions, they would be treated similarly to plain packaging for the purpose of assessing justification (under TRIPS Article 20). Such measures would therefore need to be justified by reference to the evidence, in the manner set out in Section V above. If the WTO Member cannot satisfy the burden of showing that enlarged health warnings that prevent or materially restrict the relevant trademarks from performing their functions are justified, that is, that the enlarged warnings will achieve their legitimate public policy objectives, those measures can be expected to be found incompatible with TRIPS.

(a) as between States Parties to both treaties the same rule applies as in paragraph 3 [that is, the earlier treaty applies only to the extent that its provisions are compatible with those of the later treaty];

(b) as between a State party to both treaties and a State party to only one of the treaties, the treaty to which both States are parties governs their mutual rights and obligations.

⁷⁹ At first glance, the FCTC is thus not incompatible with TRIPS. Trademark law in TRIPS does *not* prevent regulations prohibiting packaging or labeling that are “false, misleading, deceptive or likely to create an erroneous impression about its characteristics, health effects, hazards or emissions, including any term, descriptor, trademark, figurative or any other sign that directly or indirectly creates the false impression that a particular tobacco product is less harmful than other tobacco products.” FCTC, Articles 11(1)(a), 11(1)(b) and Article 13 all may be implemented without Article 20 encumbrances (if that implementation is in such a manner as not to affect the relevant trademarks). Plain packaging is not in the Convention but it is mentioned in paragraph 46 of the *Guidelines* concerning Article 11 (Parties “should consider” such measures). The Guidelines also mention that such measures “*may* increase the noticeability and effectiveness of health warnings and messages, prevent the package from detracting attention from them, and address industry package design techniques that may suggest that some products are less harmful than others.”

VIII. Conclusions

102. Trade law is relevant to scrutinize measures such as plain packaging because of their trade-restrictive effect. The TRIPS Agreement is part of the body of trade measures that deserve serious consideration by WTO Members before such measures are adopted.
103. While many disagree with the use and sale of tobacco, this is *not* the issue here, nor should the nature of the product dictate the outcome of an intellectual property analysis. The issue is whether WTO Members may take measures amounting to a prohibition on the use of non-word marks and/or imposing use of word marks in special form on a product of which the sale is legal. In other words, are measures of this nature (such as plain packaging, as described above) compatible with WTO Members' obligations contained in the TRIPS Agreement? Restrictions were imposed on such measures in TRIPS to avoid WTO Members preventing or impeding marks from fulfilling their functions (such as to guarantee the origin of goods, and to communicate to consumers). Without such restrictions, we risk eviscerating trademark protection in TRIPS for any product that may be lawfully sold (it being a different question whether a *product's* use may be restricted for public policy objectives).
104. Although neither the TRIPS Agreement nor the Paris Convention contains an explicit right to use trademarks, the principle that trademark owners should be allowed to use their marks and the corollary that prohibitions or significant restrictions on such use are subject to review are reflected normatively in both instruments.
105. Both instruments prohibit the denial of registration of a trademark solely because it is used on or intended to be applied to tobacco products.
106. The use of a mark in commerce is relevant in terms of both registration and renewal, in acquiring common law rights, in improving a trademark owner's rights against third parties, and in acquiring and maintaining well-known mark (or mark with a reputation) status (and the broader scope of protection granted such marks).
107. Tobacco use raises serious public health concerns. However, the product itself is legal. As such, use of trademarks in connection with that product is necessary for consumers to identify the product they wish to purchase and for manufacturers to differentiate their product and to guarantee their source (or origin).
108. Legitimate health policy objectives are obviously directly relevant. They do not, however, allow one to dismiss trade and/or intellectual property rules contained in TRIPS. They inform the application of the necessity and justification tests found in TRIPS Articles 8 and 20, respectively.

109. Public health policy is a valid area to seek to justify the adoption of relevant measures, as reflected in the principle laid out in TRIPS Article 8 and other relevant documents, including the 2001 Doha Declaration on TRIPS and Public Health. However, neither Article 8 nor the Declaration amount to a deletion of, or amendment to, TRIPS Article 20.
110. If they can show the necessity of such a measure to implement a legitimate public policy goal, WTO Members are free to ban the sale of certain products. They are also free to impose certain labelling requirements on products and to prohibit the use of misleading or false information on packaging⁸⁰ provided that they do so in a non-discriminatory manner.
111. Tests of *necessity* and *justification* are contained in TRIPS and other WTO-administered agreements. The test of *necessity* applies to WTO Members invoking a public health exception, such as in TRIPS Article 8 and in GATT Article XX. As interpreted in respect of the latter (which is likely to apply to TRIPS Article 8), it means that a panel should consider whether a reasonable, less trade-restrictive alternative that would be TRIPS-consistent is available, taking account of the nature of the public policy goals. If such an alternative measure is available, then the measure under review is not necessary within the meaning of TRIPS Article 8.
112. Under TRIPS Article 20, an encumbrance (a measure amounting to a ban on the use of marks or imposing special use requirement) on the use of trademarks must be *justified*. To decide whether a measure is justified under Article 20, a panel must consider available evidence and “be satisfied that it brings about a material contribution to the achievement of its objective.”⁸¹ As noted above, I am not commenting on the status of available evidence as to whether measures mandating plain packaging or enlarged health warnings will achieve their stated objectives. This is matter for experts in the relevant fields. However, a measure must be considered holistically in terms of its actual impact and the effects or credible evidence of its expected efficacy. In making such an assessment, a panel would probably consider both whether a measure (a) was the least trade-inconsistent option; and (b) materially contributes to the achievement of the stated objective.

⁸⁰ In fact, in a number of countries, such uses would amount, among other things, to an infringement of trademark law. For example, section 43(a)(1) of the United States Trademark Act (*Lanham Act*) provides in part that:

“Any person who, on or in connection with any goods or services, or any container for goods, uses in commerce any word, term, name, symbol, or device, or any combination thereof, or any false designation of origin, false or misleading description of fact, or false or misleading representation of fact, [...] shall be liable in a civil action...”

⁸¹ *Brazil-Tyres*, note 62.

113. The tests of necessity and justification have been linked, though not formally, in previous GATT and WTO cases. They may reflect different standards against which measures are to be assessed, though the public health objective and the necessity of the measure used to achieve it would inform the application of Article 8.
114. In addition, under both the necessity and justification tests, a WTO Member must show that a measure will achieve the stated objective. Moreover, a panel is entitled to, and in many cases panels in fact did, review available expert and empirical evidence to make this determination.
115. In my view, a plain packaging measure (as described in this report) would be an encumbrance by special requirement within the meaning of TRIPS Article 20. To the extent that the WTO Member cannot justify that measure, by satisfying the burden of showing (in light of relevant evidence) that a plain packaging measure will achieve its legitimate public policy objectives, the measure can be expected to be found incompatible with TRIPS.
116. Similar considerations would apply to the compatibility with TRIPS of measures requiring enlarged health warnings. To the extent that it can be shown that those measures prevent or materially restrict the relevant trademarks from performing their functions, they would be treated in a similar way for the purpose of assessing TRIPS-compatibility, that is, an encumbrance by special requirement that needs to be justified. If the WTO Member cannot justify those measures as described in the previous paragraph, they can also be expected to be found incompatible with TRIPS.

APPENDIX

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This expert report, which aims to present a neutral view, is based on Dr. Gervais' personal views and analysis. It does not represent the views of any other person or institution.