Australia’s Tobacco Plain Packaging Law: An Analysis of the TRIPS Article 20 Challenge at the WTO

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AUSTRALIA’S TOBACCO PLAIN PACKAGING LAW: AN ANALYSIS OF THE TRIPS ARTICLE 20 CHALLENGE AT THE WTO

Professor Cheryl Kirschner*

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ABSTRACT

Australia’s Tobacco Plain Packaging Act 2011 (TPP) and corresponding regulations specify that tobacco products be packaged in a particular size box and be made of certain material.¹ No trademark other than the brand’s name may be printed, and font, letter size, color, and other packaging aspects are specified with particularity.² These measures recently withstood a contentious dispute settlement request submitted on multiple grounds by four World Trade Organization (WTO) Member countries.³ What does the WTO’s Panel Report in this case tell us about the extent to which a country can take measures to advance its public health initiatives without violating obligations under Article 20 of the Agreement on Trade-Related Aspects of Intellectual Property (TRIPS)? What is the legal test for deciding this? To what extent can WTO Members undertake broad policy initiatives with the objective of protecting public health? Could WTO Members carry out these initiatives even when the consequence is far-reaching diminishment of branding and economic value of other Members’ trademark rights? Could the WTO Panel’s findings in this case embolden countries to take similar action with other consumer products medically proven to cause harm?

¹ See generally Tobacco Plain Packaging Act 2011 (Cth) (Austl.) [hereinafter TPP Act 2011]; WHO Framework Convention on Tobacco Control May 21, 2003, 2301 U.N.T.S. 166, available at http://whqlibdoc.who.int/publications/2003/9241591013.pdf (recognizing the health, social, economic and environmental consequences of tobacco consumption and exposure to tobacco smoke, WHO negotiated its first treaty in 2003 and garnered 168 Signatories); for clarity, I will use the abbreviation “TPP” to refer only to the Tobacco Plain Packaging Act 2011, and the term “TPP measures” to include both the Act and corresponding regulations, this phrasing is consistent with the WTO’s usage of these terms in Australia Trademark Panel Report.

² TPP Act 2011, supra note 2, ch 2 pt II div 1 sub-div 18.

³ 4 See generally Panel Report, Australia — Certain Measures Concerning Trademarks, Geographical Indications and Other Plain Packaging Requirements Applicable to Tobacco Products and Packaging, WTO Doc. WT/DS435/R; WT/DS441/R; WT/DS458/R; WT/DS467/R (adopted June 28, 2018) [hereinafter Australia Trademarks Panel Report] (showing complainants are Honduras, the Dominican Republic, Cuba, and Indonesia, respectively).
This article examines and evaluates the arguments and analysis of one of the primary grounds used to challenge Australia’s plain packaging measures, Agreement on Trade Related Aspects of Intellectual Property Rights (TRIPS) Article 20, which prohibits the unjustifiable encumbrance of trademarks used in the course of trade through the imposition of special requirements. After introducing the scope and context of tobacco-related health, economic, and societal issues worldwide, the article addresses Australia’s development and passage of the Tobacco Plain Packaging measures. Next, Article 20 and its elements are discussed. As this was the first WTO case to decide the parameters of permissible trademark special requirements, the parties’ arguments and panel decision relating to Article 20 are summarized and analyzed. The article then reviews the key WTO Panel report’s legal determinations and rationale, and then assesses whether similar trademark restrictions could be applied to other potentially dangerous products like alcohol and sugary, salty, or fatty foods without violating Article 20. The conclusion considers legal and business implications of the WTO Panel’s analysis of complainants’ failed claim that Australia’s Tobacco Plain Packaging measures violate TRIPS Article 20.

I. INTRODUCTION

A: Health and Social Effects of Tobacco Use

Tobacco-related illnesses are some of the biggest public health threats in the history of the world. According to the World Health Organization (WHO), approximately every six seconds, one person dies from a tobacco-caused disease. In 2017, deaths relating to tobacco use had risen to about 7.2 million people a year, and were forecasted to increase to more
than eight million people a year by 2030,\textsuperscript{9} exceeding HIV/AIDS, tuberculosis and malaria combined.\textsuperscript{10} On average, tobacco users lose 15 years of life.\textsuperscript{11}

Tobacco use is one of the largest preventable causes of noncommunicable diseases\textsuperscript{12} and is in fact “the only common risk factor across all four major non-communicable diseases (cardiovascular diseases, cancers, chronic respiratory diseases and diabetes).”\textsuperscript{13} Contributing to the death, disability and illness is the fact that, at least in recent years, “cigarettes and some other products containing tobacco are highly engineered so as to create and maintain dependence, and that many of the compounds they contain and the smoke they produce are . . . toxic, mutagenic and carcinogenic.”\textsuperscript{14} Smoking tobacco can cause many forms of cancer, including “lung, larynx, lip, tongue, mouth, pharynx, oesophagus, pancreas, bladder, kidney, cervix, stomach and acute myeloid leukaemia, liver cancer, and urinary tract cancer,”\textsuperscript{15} as well as “stroke, peripheral vascular disease, chronic obstructive pulmonary disease, several serious cardiovascular diseases, many kinds of respiratory diseases and impairments and other types of disease.”\textsuperscript{16} Also, and importantly, the scope of medical issues relating to tobacco is not limited to smokers; significant harm can be caused to non-smokers. Approximately 1.2 million non-smokers die annually from illness related to second-hand smoke.\textsuperscript{17} Passive smoking “causes premature death and disease in children and in adults who do not smoke.”\textsuperscript{18} According to the WHO, “there is clear

\begin{itemize}
\item \textsuperscript{9} WHO World No Tobacco Day, \textit{supra} note 6.
\item \textsuperscript{10} WHO Report, \textit{supra} note 8.
\item \textsuperscript{11} World Health Org., Tobacco Threatens Us All 3 (2017) [hereinafter WHO Tobacco Threatens Us All].
\item \textsuperscript{12} WHO World No Tobacco Day, \textit{supra} note 6.
\item \textsuperscript{13} Australia Trademarks Panel Report, \textit{supra} note 4, ¶ 7.2579.
\item \textsuperscript{14} World Health Organization [WHO], Framework Convention on Tobacco Control, \textit{opened for signature} June 16, 2003, 2302 U.N.T.S. 166 (entered into force Feb. 27, 2005) [hereinafter WHO FCTC].
\item \textsuperscript{15} Australia Trademarks Panel Report, \textit{supra} note 4, ¶ 7.2578.
\item \textsuperscript{16} \textit{Id}.
\item \textsuperscript{17} Indu B. Ahluwalia, et. al., \textit{Tobacco Use and Tobacco-Related Behaviors—11 Countries, 2008-2017, 68 Morbidity & Mortality Wkly. Rep. 928, 928 (Oct.18, 2019).}
\item \textsuperscript{18} Australia Trademarks Panel Report, \textit{supra} note 4, ¶ 7.2578.
\end{itemize}
scientific evidence that prenatal exposure to tobacco smoke causes adverse health and developmental conditions for children.” 19 The evidence makes it clear why this is an urgent public health problem based on medical data alone.

In addition to the human toll, tobacco “represents a major barrier to sustainable development that impacts health, poverty, global hunger, education, economic growth, gender equality, the environment, finance and governance.” 20 Money from medical resource budgets is diverted from other pressing priorities. Money from household budgets is diverted from basic necessities. The cost of smoking is estimated at $1.4 trillion, or 1.8% of global Gross Domestic Product (GDP), 21 with corresponding annual global health care costs associated with smoking being approximately $422 billion. 22 The remaining cost of about $1 trillion per year is indirect; for example, lost productivity due to illness and premature death. 23 To put this in perspective, the annual cost of smoking globally is equal to about ten times the amount spent on aid worldwide, or nearly the GDP of Canada, the world’s tenth wealthiest country. 24 This social and economic impact continues even when smoking rates decline because the disease and health effects caused by tobacco consumption can take years to manifest. 25

Tobacco usage contributes to poverty and impacts lower-income countries which have fewer resources and less ability to control and combat the problem. “The burden of death and diseases from non-communicable diseases is most heavily concentrated in the world’s poorest countries.” 26 More than 80% of tobacco-related deaths occur in low- and middle-income countries. 27 According to Dr. Vera Luiza da Costa e Silva, head of WHO’s convention secretariat, “[t]he epicentre of this

19 WHO FCTC, supra note 14, at 1.
20 WHO Tobacco Threatens Us All, supra note 11, at 2.
21 Id.
22 Id. at 3.
23 Id.
24 Id.
25 Australia Trademarks Panel Report, supra note 4, ¶ 7.2580.
26 Australia Trademarks Panel Report, supra note 4, ¶ 7.2579.
epidemic has moved to the developing world, where low- and middle-income countries struggle to combat a tobacco industry seeking to pursue new markets, often through shameless interference with public health policymaking.\(^{28}\) Moreover, vulnerable populations and disadvantaged communities are disproportionately impacted.\(^{29}\) The WHO warns that smoking is starting at increasingly early ages;\(^{30}\) tobacco consumption by women and young girls has been increasing;\(^{31}\) and tobacco consumption by indigenous peoples remains high.\(^{32}\)

Even in higher-income countries, lower-income people are disproportionately impacted. For example, in Australia, tobacco smoking accounts for “12.1% of the total burden of disease and 20% of deaths among Aboriginal and Torres Strait Islander peoples.”\(^{33}\)

Moreover, there are adverse environmental impacts. According to the WHO, “[t]obacco smoke emissions also contribute thousands of tonnes of human carcinogens, toxicants and greenhouse gases to the environment.”\(^{34}\) It also contributes to deforestation. For every 300 cigarettes produced, one tree is lost.\(^{35}\) Waste discarded from cigarette consumption totals up to 680,000 tons globally per year.\(^{36}\) Tackling tobacco control is evidently not easy. Tobacco companies spend staggering sums of money to retain and expand their market. United States (U.S.) Congressional findings forming the basis of the Family Smoking Prevention and Tobacco Control Act (TCA) noted that “[i]n 2005, the cigarette manufacturers spent more than $13,000,000,000 to attract new users, retain current users, increase current consumption, and generate favorable long-term attitudes toward smoking and tobacco use.”\(^{37}\)  

\(^{28}\) WHO Report, supra note 8, at 17.

\(^{29}\) Australia Trademarks Panel Report, supra note 4, ¶ 7.2580.

\(^{30}\) WHO FCTC, supra note 14, at 1.

\(^{31}\) Id.

\(^{32}\) Id. at 2.

\(^{33}\) Australia Trademarks Panel Report, supra note 4, ¶ 7.2580.

\(^{34}\) WHO Tobacco Threatens Us All, supra note 11, at 6.

\(^{35}\) Id.

\(^{36}\) Id.

[U.S.] [Federal Trade Commission], tobacco companies spent approximately $12.49 billion on advertising and promotion in 2006 alone, employing marketing and advertising experts to incorporate current trends and target their messages toward certain demographics.”

B. Responses by the WHO and Governmental Tobacco Control and Smoking Reduction Initiatives, generally

The World Health Organization labels the tobacco problem as an “epidemic.”39 In fact, in the preamble to its Framework Convention on Tobacco Control (FCTC), the WHO describes the “tobacco epidemic” as “a global problem with serious consequences for public health that calls for the widest possible international cooperation and the participation of all countries in an effective, appropriate and comprehensive international response” and cites the “devastating worldwide health, social, economic and environmental consequences of tobacco consumption and exposure to tobacco smoke.”40 For the WHO, tobacco control was such a high priority that it was the subject of the first convention it ever concluded, in May 2003, taking effect in 2005.41 In this landmark initiative, the FCTC constructs a two-pronged strategy of decreasing tobacco usage through reducing both demand and supply.

The core demand-reduction provisions in the WHO FCTC are contained in articles 6-14:

- Price and tax measures . . . ; and
- Non-price measures to reduce the demand for tobacco, namely:
  - Protection from exposure to tobacco smoke;
  - Regulation of contents of tobacco products;
  - Regulation of tobacco product disclosures;
  - Packaging and labelling of tobacco products;

39 WHO FCTC, supra note 14, at 1.
40 Id.
41 Id. at v–vi.
• Education, communication, training and public awareness;
• Tobacco advertising, promotion and sponsorship; and
• Demand reduction measures concerning tobacco dependence and cessation.

The core supply-reduction provisions in the WHO FCTC are contained in articles 15-17:

• Illicit trade in tobacco products;
• Sales to and by minors; and
• Provision of support for economically viable alternative activities.\(^{42}\)

Of note, for purposes of this article is the pledge that signatories include large, clear, rotating health warnings on 50% (or, at least, 30%) of the principal display area on the package.\(^{43}\) The WHO’s subsequent *Guidelines for Implementation of Article 11 of the WHO Framework Convention on Tobacco Control (Packaging and Labelling of Tobacco Products)* specifically encourages the adoption of plain packaging: “[p]arties should consider adopting measures to restrict or prohibit the use of logos, colours, brand images or promotional information on packaging other than brand names and product names displayed in a standard colour and font style (plain packaging).”\(^{44}\) The *Guidelines for the Implementation of Article 13 of the WHO Framework Convention on Tobacco Control* describes plain packaging as:

[B]lack and white or two other contrasting colours, as prescribed by national authorities; nothing other than a brand name, a product name and/or manufacturer’s name, contact details and the quantity of product in the packaging, without any logos or other features apart from health warnings, tax stamps and other government-mandated information or markings; prescribed font

\(^{42}\) Id. at v.

\(^{43}\) Id. at 11.

\(^{44}\) *Guidelines for implementation of Article 11 of the WHO Framework Convention on Tobacco Control (Packaging and Labelling of Tobacco Products)*, ¶ 46, WHO Doc. FCTC/COP3(10) (Nov. 2008).
style and size; and standardized shape, size and materials. There should be no advertising or promotion inside or attached to the package or on individual cigarettes or other tobacco products.\footnote{Guidelines for implementation of Article 13, Tobacco advertising, promotion and sponsorship, ¶ 16, WHO Doc. FCTC/COP3(12) (Nov. 2008); see also Susy Frankel & Daniel Gervais, Plain Packaging and the Interpretation of the TRIPS Agreement, 46 Vand. J. of Transnat’l L. 1149, 1163 (2013) (emphasizing a noncommittal aspect of this FCTC provision stating “[l]egally speaking, no FCTC member has an obligation to apply any of [FCTC] Guidelines, nor do those Guidelines amend any of the WTO instruments . . . [t]he FCTC Guidelines do not amount to a deletion of TRIPS Agreement obligations.”).}

In part based on the WHO’s international efforts and the widespread adoption of the FCTC,\footnote{Parties to the WHO Framework Convention on Tobacco Control, WORLD HEALTH ORG., https://www.who.int/fctc/signatories_parties/en/ (last updated Nov. 23, 2017) (noting between its adoption in May 2003 and the closure if the Convention signature period in June 2004, 168 states signed the FCTC; currently, there are 181 member states).} individual countries (and sometimes states, provinces, and municipalities) have developed strategies and implemented policies aimed at reducing smoking levels.\footnote{See Thomas Bollyky & David Fidler, Has a Global Tobacco Treaty Made a Difference?, THE ATLANTIC (Feb. 28, 2015) https://www.theatlantic.com/health/archive/2015/02/has-a-global-tobacco-treaty-made-a-difference/386399/ (“A decade later, it is clear that the FCTC, on its own, was insufficient to generate improved tobacco control in low- and middle-income countries, but has been a contributing factor in the recent progress that has occurred.”). But see Lorraine Craig et. al., Impact of the WHO FCTC on Tobacco Control: Perspectives from Stakeholders in 12 Countries, 28 TOBACCO CONTROL 129, 134 (2019) (“[I]n its first decade, the FCTC has had significant impacts on tobacco control according to stakeholders in each of the 12 mission countries. Stakeholders were unanimous in the view that without the Treaty, tobacco control would not have advanced to the extent it had at the time of the interviews. The FCTC has elevated tobacco control as a public health priority in the national and international agendas, and provided a best practice roadmap and mechanisms to support evidence-based action on tobacco within a supporting legally binding framework.”).} Governments have tackled tobacco control with varying levels of urgency, focus, effort, commitment, and support. Some countries and regions have adopted far-reaching and sometimes creative tobacco control measures. In 2014, partly to meet its FCTC obligations, the European Union introduced the broad-ranging Tobacco Products Directive (TPD),\footnote{Directive 2014/40, of the European Parliament and of the Council of 3 April 2014 on the approximation of the laws, regulations and administrative provisions of the Member States concerning the manufacture, presentation and
major changes to tobacco marketing. At the time the TPD became effective, Dr. Martina Pötschke-Langer, Head of Unit Cancer Prevention WHO Collaborating Centre for Tobacco Control, German Cancer Research Center, said, “[t]he past two years have been an intense time for those of us working in tobacco control. The European Commission has adopted nine legal acts... containing the detailed technical rules needed to implement the TPD [including]... the appearance of the new health warnings.”

Presumably to help curtail smoking by young people, in March, 2019, the WHO urged governments “to implement their domestic laws banning tobacco advertising, promotion and sponsorship in the strongest possible ways. This may include issuing penalties applicable under domestic laws and taking preventative action, such as by preventing screening of events that violate domestic laws.” It also urged enforcement of bans on tobacco advertising at sporting events and international exhibitions.

Other countries restrict tobacco products, marketing and distribution less severely than the European Union, sometimes falling short of FCTC guidelines. In the United States, the Food and Drug Administration (FDA) has had the authority to regulate tobacco products since the passage of the TCA in 2009.

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51 Id.


53 TCA, supra note 37, at 1776; see, e.g., Micah L. Berman, *The Faltering Promise of FDA Tobacco Regulation*, 12 ST. LOUIS U. J. HEALTH L. & POLY 145, 145 (2018) (debating the effectiveness of the FDA’s efforts to control tobacco usage under the TCA).
Ten years later, the FDA announced a “Comprehensive Plan for Tobacco and Nicotine Regulation” which proposed regulation of nicotine levels, increasing use of medicinal products to assist in quitting smoking, public education campaign, addressing vaping safety and more. It also covered revision of warning labels—not surprisingly, since “[i]n the U.S., cigarette packages still have the small, text-only warnings that have been on the side of cigarette packages since 1965.” The FDA was instructed to issue regulations concerning graphic warning labels on certain tobacco products within two years of the TCA’s enactment, which resulted in the eventual proposal of nine images to pair with the nine textual warnings outlined in the statute. However, when the FDA was challenged by R.J. Reynolds Tobacco Company on First Amendment grounds, the U.S. Court of Appeals for the District of Columbia upheld summary judgment in favor of the Tobacco Company, vacated the graphic warning requirements, and remanded to the FDA. On January 30, 2020, the FDA again attempted to require graphic warnings on cigarette packaging by proposing “13 . . . warnings, which feature text statements accompanied by photorealistic color images depicting some of the lesser-known health risks of cigarette smoking, [which] stand to represent the most significant change to cigarette labels in 35 years.”


55 Id.

56 Berman, supra note 53, at 153.

57 See TCA, supra note 37, 1845 (“Not later than 24 months after the date of enactment of the Family Smoking Prevention and Tobacco Control Act, the Secretary shall issue regulations that require color graphics depicting the negative health consequences of smoking . . . . The Secretary may adjust the type size, text and format of the label statements [as previously] specified . . . . as the Secretary determines appropriate so that both the graphics and the accompanying label statements are clear, conspicuous, legible and appear within the specified area”).


Africa, also a signatory to the FCTC, tobacco advertising and promotion is severely limited as smoking can be restricted in both public and workplace areas and text-only health warnings are required.61 Nevertheless, tobacco excise taxes fall far short of the WHO’s recommendation that excise tax account for 70% of retail prices.62

Approximately 120 countries have adopted graphic warnings labels for cigarette packages, starting with Canada in 2000.63 As a result, the number of people living in countries that have introduced tobacco control measures quadrupled between 2009 and 2019, to a total of 5 billion people.64 Warnings have been a prominent part of these measures in many countries. As of September 2018, “107 countries/jurisdictions have required warnings to cover at least 50% of the package front and back (on average), up from 94 in 2016 and 24 in 2008 [and t]here are now 55 countries/jurisdictions with a size of at least 65% (on average) of the package front and back.”65

C. History, Background and Context of Australia’s Tobacco Plain Packaging Act

In June of 2009, Australia’s Preventative Health Taskforce unveiled its report, “Australia: The Healthiest Country by 2020” a National Preventative Health Strategy.66 The report provided

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62 Id.
a roadmap which lists and describes actions to achieve the ambitious goal of becoming the world’s healthiest country by 2020.\textsuperscript{67} Tobacco control is featured prominently (not surprisingly) in this report. Further, the report provides that, in Australia, tobacco use remains one of the leading causes of preventable disease and premature death and that as many as two in three Australian smokers will die prematurely from smoking-related diseases.\textsuperscript{68} The report also discusses that smokers in Australia are twice as likely as non-smokers to have been diagnosed or treated for a mental illness.\textsuperscript{69} According to the Australian Government Department of Health, smoking killed about 19,000 Australians in 2011.\textsuperscript{70} The taskforce report included eleven “key action areas” related to tobacco control.\textsuperscript{71} These key action areas ranged from increasing tobacco costs to raising the intensity and reach of both social marketing and public awareness campaigns to eliminating second-hand smoke in public places.\textsuperscript{72} It also recommended boosting efforts to reduce and discourage smoking among young people, indigenous Australians, and disadvantaged groups.\textsuperscript{73} Importantly, it is within this far-reaching plan that the task force also included recommendations specific to the marketing and advertising of tobacco products.\textsuperscript{74} Under the heading “Tobacco,” action items 3 and 5, respectively, state:

3. End all remaining forms of advertising and promotion of tobacco products.

- Legislate to eliminate all remaining forms of tobacco promotion, including, as feasible, through new and emerging forms of media
- Amend legislation nationally and in all states and

\textsuperscript{67} Id. at 6–7.
\textsuperscript{68} Australia Trademarks Panel Report, supra note 4, at ¶ 7.2578 (referencing paragraphs 1 and 28–30 of Australia’s first written submission).
\textsuperscript{69} Id. ¶ 7.1318.
\textsuperscript{71} Nat’l Preventative Health Taskforce, supra note 66, at 12–25.
\textsuperscript{72} Id.
\textsuperscript{73} Id. at 37–38.
\textsuperscript{74} Id. at 33–34.
tobacco products through design of packaging

- Amend Tobacco Advertising Prohibition Act 1992 to require that no tobacco product may be sold except in packaging of a shape, size, material and colour prescribed by government.
- Amend Trade Practices CPIS (Tobacco) Regulations 2004 to specify exact requirements for plain packaging

5. Regulate manufacturing and further regulate packaging and supply of tobacco products

- Improve consumer information related to tobacco products
  - Mandate standard plain packaging of all tobacco products to ensure that design features of the pack in no way reduce the prominence or impact of prescribed government warnings
  - Automatically review and upgrade warnings on tobacco packages at least every three years, with the Chief Medical Officer to have the capacity to require amendments and issue additional warnings of new and emerging risks in between.
- Tighten and enforce legislation to eliminate sales to minors and any form of promotion at retail level.
- Give government power to regulate design, contents and maximum emissions for tobacco and related products, and establish a regulatory body with responsibility for specifying required disclosure to government, labelling and any other communication to consumers
- Investigate the feasibility of legal action by governments and others against tobacco companies

On April 29, 2010, the Australian Government announced measures to "deliver on [the] recommendations of the

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75 Id. at 17–18.
including increasing tobacco excise by 25%; enacting legislation to require that all cigarettes be sold in plain packaging by 1 July 2012; restricting Australian internet advertising of tobacco products; and spending more on anti-smoking campaigns. Ultimately, this led to implementation of a comprehensive range of Australian tobacco control measures, “including advertising and promotional bans, excise measures, graphic health warnings, and investments in anti-smoking initiatives.” This also led to tobacco plain packaging measures. A defensive strategy was employed to combat the realities of the tobacco industry’s marketing. As Professor Andrew Mitchell of Melbourne Law School explains, cigarette companies invest heavily in packaging and brand name design in part because “approximately half of smokers cannot distinguish between similar cigarettes” and therefore “packaging is necessary for product differentiation.” He notes the particular importance of packaging “in ‘dark’ markets, such as Australia, where tobacco advertising is banned” since fewer marketing distribution channels mean pressure to utilize fully the sole remaining possibility, the product package itself.

D. Australia’s Tobacco Plain Packaging Act 2011,
corresponding regulation and challenges in Australian court

Pursuant to NPHT recommendations and with the goal of giving effect to its obligations under the FCTC, the Australian Parliament passed the Tobacco Plain Packaging Act 2011.

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76 Australia Trademarks Panel Report, supra note 4, ¶ 2.8.
77 Id.
78 Id. ¶ 7.2581.
79 INTERGOVERNMENTAL COMM. ON DRUGS, NATIONAL TOBACCO STRATEGY 2012-2018 iii (2012) (identifying Australia’s continued prioritization of controlling tobacco use in nine areas: protect public health policies from tobacco industry interference; eliminate the remaining advertising, promotion and sponsorship of tobacco products; reduce the affordability of tobacco products; increase smoke-free areas; strengthening mass media and public education campaigns; improving access to evidence-based cessation services; and considering further regulation of tobacco contents, disclosure and supply).
81 Id. at 402.
82 Id. at 402.
As of December 1, 2012, all tobacco products sold, offered for sale, or otherwise supplied in Australia were required to comply with TPP. The Act states:

(1) The objects of this Act are:

(a) to improve public health by:
   (i) discouraging people from taking up smoking, or using tobacco products; and
   (ii) encouraging people to give up smoking, and to stop using tobacco products; and
   (iii) discouraging people who have given up smoking, or who have stopped using tobacco products, from relapsing; and
   (iv) reducing people’s exposure to smoke from tobacco products; and

(b) to give effect to certain obligations that Australia has as a party to the Convention on Tobacco Control.

(2) It is the intention of the Parliament to contribute to achieving the objects in subsection (1) by regulating the retail packaging and appearance of tobacco products in order to:

(a) reduce the appeal of tobacco products to consumers; and

(b) increase the effectiveness of health warnings on the retail packaging of tobacco products; and

(c) reduce the ability of the retail packaging of tobacco products to mislead consumers about the harmful effects of smoking or using tobacco products.

In its subsequent defense when challenged at the WTO, Australia asserted that important purposes of the Act where to “limit the ability of the pack to distract from and reduce the noticeability of GHWs [graphic health warnings]; prevent tobacco companies from using different colours to create misleading perception of the harmful effects of tobacco use or to exploit certain positive associations with particular colours; and,

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83 See TTP Act 2011, supra note 2.
84 Id. (different sections of the Act became effective at different times, with all provisions becoming effective by December, 2012).
85 Id. ch 1 pt I div 3.
more broadly, to denormalize tobacco.”

Under the Act, these objectives are accomplished by stripping the packaging of essentially all trademark features except the tradename. TPP measures detail comprehensive specifications for all aspects of cigarette packages. Decorative ridges or irregularities of shape or texture and colored glues and adhesives are not permitted. The dimensions of cigarette packs are specified; the opening of the pack must be flip-top; the material must be made only of rigid cardboard; the shape must be rectangular and without embellishment; only foil-backed paper lining is permitted; and unless otherwise permitted, the pack must have a “matte finish” of “drab dark brown.” No variations for the shape, material, or texture of the package are permitted. In effect, the cigarette package must be stripped of all colors, logos, textures, and other branding. The display of the product name is also strictly controlled. The brand name must appear in the prescribed font, size and placement on the package. In addition, health warnings and graphic images are required to be included on the product’s package.

A detailed description of domestic challenges to the TPP are beyond the scope of this paper, except to note briefly that failed challenges to TPP on constitutional grounds were raised by four tobacco companies in JT International SA v. Commonwealth of

86 Australia Trademarks Panel Report, supra note 4, ¶ 7.2476.
87 TPP Act 2011, supra note 2, ch 2 pt II div 1 sub-div 18 para 1.
88 Id. ch 2 pt II div 1 sub-div 18 para 1; see also Tobacco Plain Packaging Regulations 2011 (Cth) pt II div 2 sub-div 1 (AustL) (determining the “[p]hysical features of retail packaging”) [hereinafter TPP Regulations 2011].
89 TPP Act 2011, supra note 2, ch 2 pt II div 1 sub-div 18 para 3.
90 Id. ch 2 pt II div 1 sub-div 18 para 2.
91 Id.
92 Id. ch 2 pt II div 1 sub-div 18 para 1.
93 Id. ch 2 pt II div 1 sub-div 18 para 3 (stating “must comply”).
94 Id. ch 2 pt II div 1 sub-div 19 para 2.
95 See TPP Act 2011, supra note 2, ch 2 pt 2 div 1 sub-div 18 para 3 (stating “must comply”).
96 Id. ch 2 pt II div 1 sub-div 26.
97 TPP Regulations 2011, supra note 88, pt II div 2 sub-div 4 para 1.
98 TPP Act 2011, supra note 2, ch 2 pt II div 1 sub-div 21.
Australia\textsuperscript{99} and British American Tobacco Australasia Limited \textit{v.} The Commonwealth.\textsuperscript{100} These cases were consolidated and ultimately brought to the High Court of Australia. As explained by Jonathan Liberman, Director of the McCabe Centre for Law and Cancer:

The case was decided in the Australian Government’s favor on the basis of the majority’s affirmation (six-to-one) of what Justices Hayne and Bell described as the “bedrock principle” that “[T]here can be no acquisition of property without ‘the Commonwealth or another acquir[ing] an interest in property, however slight or insubstantial it may be.’” “[T]he relevant constitutional question is whether there has been an \textit{acquisition} of property, not whether there has been a \textit{taking}.” The tobacco companies were unable to show any such acquisition. Arguments by the tobacco companies that there need be no acquisition of “property” or of a benefit or advantage of a proprietary nature “sought to depart from [the] bedrock principle.”\textsuperscript{101}

II. CHALLENGES TO AUSTRALIA’S TPP MEASURES AT THE WORLD TRADE ORGANIZATION

A. Public Health/World Trade tension, conflict, background

Domestic legal challenges aside, the case challenging TPP measures raises interesting questions about conflicts and tensions between public health policy and law on one hand and world trade policy and law on the other. To start, the Agreement on Trade Related Aspects of Intellectual Property Rights (TRIPS) recognizes the importance of prioritizing public health.\textsuperscript{102} TRIPS Article 8.1 (under the title \textit{General Provisions and Basic Principles}) states: “[m]embers 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

\begin{itemize}
\item \textsuperscript{99} JT Intl SA \textit{v} Commonwealth [2012] HCA 43 (Austl.).
\item \textsuperscript{100} See id. (consolidating opinion with JT Intl SA \textit{v} Commonwealth).
\item \textsuperscript{102} See generally TRIPS, supra note 5.
\end{itemize}
consistent with the provisions of this Agreement.”\textsuperscript{103} Later, the Declaration on the TRIPS Agreement and Public Health, adopted by the WTO on November 14, 2001, specifically states, “[w]e agree that the TRIPS Agreement does not and should not prevent Members from taking measures to protect public health . . . . [W]e affirm that the Agreement can and should be interpreted and implemented in a manner supportive of WTO Members’ right to protect public health.”\textsuperscript{104} Numerous WTO panel decisions and Appellate Body decisions acknowledge and support deference to health measures and the promotion of public health over promotion of international trade.\textsuperscript{105}

\textbf{B. WTO Dispute Settlement, overview and procedural background}

On April 4, 2012, Honduras requested consultations at the WTO with Australia, challenging Australia’s TPP measures.\textsuperscript{106} Subsequently, the Dominican Republic, Cuba, and Indonesia joined in requesting consultations with Australia on this matter, with several other countries requesting to participate in the proceedings as third parties.\textsuperscript{107} The complaints were consolidated into Dispute Settlement 435, wherein complainants advanced multiple legal challenges to Australia’s TPP measures, asserting violations of several provisions of TRIPS, the Technical Barriers to Trade Agreement (TBT) and the General Agreement on Tariffs and Trade (GATT).\textsuperscript{108}

\textsuperscript{103} Id. pt I art. 8.1.
\textsuperscript{104} World Trade Organization, Declaration on the TRIPS agreement and public health of 14 November 2001, WTO Doc. WT/MIN(01)/DEC/2, 4 ILM 746 (2002) [hereinafter Doha Declaration].
\textsuperscript{105} See, e.g., Appellate Body, United States – Standards for Reformulated and Conventional Gasoline, WTO Doc. WT/DS2/AB/R (adopted May 20, 1996) [hereinafter US – Gasoline] (affirming GATT Article XX’s provision to permit important state interests, including the protection of human health); see also Appellate Body, European Communities – Measures Affecting Asbestos and Asbestos-Containing Products, WTO Doc. WT/DS135/AB/R (adopted Apr. 5, 2001) (discussing in Section VII Article XX(b) of the GATT 1994 and Article 11 of the DSU, specifically referring to the issue of protecting human life or health).
\textsuperscript{106} Australia Trademarks Panel Report, supra note 4, ¶ 1.1.
\textsuperscript{107} Id. ¶¶ 1.19, 1.23.
\textsuperscript{108} Id. ¶¶ 7.3.5.2.1–7.3.5.2.3 (specifically, complainants alleged the following violations: 1. Article 2.1 of the Technical Barriers to Trade Agreement, claiming Australia’s PP regulations accord to imported tobacco
The resulting Panel Report, issued June 28, 2018, spans 888 pages and provides detailed reviews of the complainants’ respondents’ and third parties’ arguments, as well as the panel’s rationale and decision for all eleven treaty provision violations alleged.\textsuperscript{109} For purposes of this article, only TRIPS Article 20 is examined. The language of Article 20 itself (stating “[t]he use of a trademark in the course of trade shall not be unjustifiably encumbered by special requirements”) embodies the essential tension between health policy and trademark rights.\textsuperscript{110} Several of the other provisions that the complainants allege were violated are important, but they are more technical and arguably less demonstrative of the health policy versus the trademark rights dispute.

\textsuperscript{109} See generally id.

\textsuperscript{110} TRIPS, supra note 5, art. 20.
C. Trademarks under TRIPS, generally

There has been much discussion (and confusion) regarding the nature of trademark rights under WTO rules and the extent to which countries must extend trademark protection. A good starting point is TRIPS Article 16, which states:

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. In case of the use of an identical sign for identical goods or services, a likelihood of confusion shall be presumed. The rights described above shall not prejudice any existing prior rights, nor shall they affect the possibility of Members making rights available on the basis of use.\(^{111}\)

Appellate Reports and Panel Reports have helped illustrate and explain the nature of these exclusive rights.\(^{112}\) In United States Section 211 Omnibus Appropriations Act of 1998, the appellate body agreed with a previous panel report that “the definition of the conditions of [trademark] ownership has been left to the legislative discretion of individual countries of the Paris Union by Article 6(1) of the Paris Convention (1967).”\(^{113}\) The appellate body opined that once trademark ownership is established, “Article 16 confers on the owner of a registered trademark 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 trademark by unauthorized third parties.”\(^{114}\)

While the right of exclusivity for a registered trademark owner is established, the right of exploitation is not guaranteed.

\(^{111}\) Id. art. 16.

\(^{112}\) See supra note 108.


\(^{114}\) Id. ¶ 186.
Some scholars, like Professor Mark Davison of Monash University, maintain that TRIPS Article 16 “only confers a right to prevent others using a trademark,”115 but does not confer a right to use a trademark. This is consistent with the Panel Report in European Communities — Protection of Trademarks and Geographical Indications for Agricultural Products and Foodstuffs which stated:

[T]he TRIPS Agreement does not generally provide for the grant of positive rights to exploit or use certain subject matter, 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.116

Presumably then, businesses from WTO Member countries do not have the inherent right to have or to use a trademark in another Member country. However, if they register a (presumably valid) trademark, they must be granted a minimal level of exclusive rights. Here, “exclusive rights” means the business is the only one granted the rights and may, as a corollary, exclude others from infringing on the rights.117

D. Panel’s analysis of Article 20 claims and rationale for their decision

As noted above, this article focuses on the allegation that TPP measures violate TRIPS Article 20, which is only one of several violations alleged in the requests for dispute resolution.

115 Mark Davison, Why the TRIPS Challenges to Plain Packaging Will Fail, McCABE CENTRE, http://www.mccabecentre.org/downloads/M_Davison_TRIPS_for_website_word_format_.pdf.


117 See Mark Davison & Patrick Emerton, Rights, Privileges, Legitimate Interests and Justifiability: Article 20 of TRIPS and Plain Packaging of Tobacco, 29 AM. U. INT’L L. REV. 505, 518–19, 541, 547 (2014) (addressing the questions of whether TRIPS article 20 creates a privilege, right of use, or a negative right).
Article 20 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.\footnote{TRIPS, supra note 5, art. 20.}

Regarding Article 20 specifically, the \textit{EC – Geographical Indications} panel stated Article 20 does “not preclude a requirement prescribing the use of [a] trademark” in a certain way,\footnote{Id.} nor does it address the issue of exclusivity.\footnote{Id.} The question remains as to when prescribing the use of a trademark in a certain way is within the boundaries of Article 20.

At the outset of its Article 20 analysis, the Panel reviewed and decided the issue of burden of proof.\footnote{Australia Trademarks Panel Report, supra note 4, ¶¶ 7.2151–7.2171.} The parties agreed that the complainants were required to establish a \textit{prima facie} case that the TPP measures constituted “special requirements that encumber the use of trademarks in the course of trade within the meaning of Article 20.”\footnote{Id. ¶ 7.2161.} Still, they disagreed as to whether the complainants or Australia bore the burden of proving the justifiability of encumbrances within the scope of Article 20.\footnote{Id. ¶ 7.2162.} Justifiability of encumbrances would prove to be, as argued later in this article, the key issue of contention and of importance in this case.\footnote{See infra Part 2(D)(iii).}

Complainants and third-party Members posed, \textit{inter alia}, the following arguments in favor of Australia bearing the burden of proving relevant special requirements were justified. First, the structure of Article 20’s language (“use \ldots shall not be
unjustifiably encumbered”) implies a presumption in favor of the unencumbered use of trademarks through special requirements since unencumbered trademarks are the normal default. Any encumbrance of the use of a trademark through special requirements “triggers the obligation to ensure that any such [obligation] is justifiable.”

Second, the prohibitive aspect of Article 20 is being qualified through the word “unjustifiably.” As such, “the complainant bears the initial burden of demonstrating the prohibitive aspect of the provision (i.e. that a measure involves an encumbrance on use by special requirements); thereafter, the burden of demonstrating that the encumbrance is justifiable shifts to the respondent.” Third, requiring that the Member ensure an encumbrance is justifiable “is consistent with the ordinary meaning of the term ‘justifiable’, which means ‘defensible’ . . . because the ordinary meaning of this term suggests that it is the defendant who bears the burden of ‘justifying’ a measure that falls within . . . Article 20.”

Fourth, it is incorrect for a complainant “to identify and refute a justification which it may be unaware of or which it may not be able to particularize.” Fifth, and finally, Article 20 establishes a general prohibition on the use of special requirements, and prior WTO panel decisions support the view that “a party invoking an exception or an affirmative defence bears the burden of proof.”

Australia and others agreed that the burden of proof rests with the party (whether complaining or defending) who “asserts the affirmative of a particular claim or defence.” However, Australia argued, nothing in the TRIPS Agreement requires Members to confer trademark use to a fellow Member. Therefore, Article 20 is not in fact an “exception,” so the use of

125 TRIPS, supra note 5, art. 20.
126 Australia Trademarks Panel Report, supra note 4, ¶ 7.2135.
127 Id. ¶ 7.2141.
128 Id. ¶ 7.2140.
129 Id. ¶ 7.2142; see also Frankel & Gervais, supra note 45, at 1210 (arguing that normally, the complainant has the burden of proof, but because the complainant is not the party who relies on a domestic policy reasons for the encumbrance, the respondent carries the burden to show that the encumbrance is justified).
130 Australia Trademarks Panel Report, supra note 4, ¶ 7.2144.
131 Id. ¶ 7.2145.
special requirements does not carry with it the burden of proving any corresponding encumbrances are justified. In essence, there is no right to use a trademark, so Article 20 is not, in fact, a prohibition with an exception. Therefore, the complainants bear the burden of proving all elements of their prima facie case, including the element of unjustifiability. In resolving this issue, the Dispute Panel relied on the Appellate Body’s previous endorsement of the principle that “the party asserting a fact, whether complainant or respondent, is responsible for providing proof thereof” and that “[t]he burden of proof rests upon the party . . . who asserts the affirmative of a particular claim or defence.” The Dispute Panel expressly rejected the claim that Article 20’s text or grammatical structure implies that there is a “default situation” of unencumbered trademark use, causing Australia to bear the burden of showing “justifiability.” Referencing previous Appellate Body decisions relevant to this question, the Panel noted that other similarly worded provisions containing “negative” formulations have not been interpreted as placing a burden of proof on the defendant in connection with interpreting the Technical Barriers to Trade Treaty (TBT) or in the context of the Agreement on the Application of Sanitary and Phytosanitary Measures (SPS Agreement). The Panel concluded that “it is for the complainants to present a prima facie case that the TPP measures amount to special requirements and that the use of a trademark in the course of

132 Id. ¶ 7.2146.
133 Id. ¶ 7.2151.
134 Id. ¶ 7.2158 (citing Appellate Body Report, United States – Measures Affecting Imports of Woven Wool Shirts and Blouses from India, WTO Doc. WT/DS33/AB/R (adopted May 23, 1997)).
135 Id. ¶ 7.2163.
137 Id. ¶ 7.2168 (quoting Appellate Body Report, European Communities – Measures Concerning Meat and Meat Products (Hormones), ¶ 109, WT/DS26/AB/R (adopted Feb. 13, 1998) stating: “it was the complainant’s task to present evidence and legal arguments sufficient to demonstrate a violation of the obligations contained in each specific relevant provision of [the Agreement]”).
trade is unjustifiably encumbered by these requirements.”

Having established the threshold burden of proof question, the Panel then broke its analysis into three parts, each of which will be examined in detail: first, whether TPP measures involve “special requirements” that “encumber” the use of a trademark; second, whether the special requirements in the TPP measures encumber the “use of a trademark” “in the course of trade;” and third, whether the TPP measures “unjustifiably” encumber the use of trademarks in the course of trade.

1. Whether TPP measures involve “special requirements” that “encumber” the use of a trademark (7.3.5.3)

Are Australia’s TPP measures “special requirements”? If so, do those requirements “encumber” use of cigarette trademarks? Neither “special requirement” nor “unjustifiably encumber” are defined in the TRIPS agreement.

a. Meaning of “special requirements”

Australia agreed there was no question the TPP measures constituted special requirements, at least in some respects, but that the scope of the special requirements is at issue. One area of dispute related to the extent to which prohibitions on the use of a trademark are “special requirements” within the meaning of Article 20. Australia’s position was that a country may prohibit the use of a trademark altogether under TRIPS. Article 19 provides in relevant part that “[c]ircumstances 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.” In Australia’s view, the rights Members are required to confer under TRIPS are negative rights of exclusion, not a right to a trademark. When trademark use

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138 Id. ¶ 7.2169.
139 Id. ¶ 7.2172.
140 Id. ¶ 7.2138.
141 Id. ¶ 7.2187.
142 TRIPS, supra note 5, art. 19.
143 Australia Trademarks Panel Report, supra note 4, ¶ 7.2188.
is permissible, Article 20 is concerned with special requirements imposed on trademark use. As a result, in Australia’s view, Article 20 refers to “how a trademark may be used when it is used, not to whether it can be used.” If domestic law bans the use of certain trademarks, then “those trademarks are not being ‘use[d] . . . in the course of trade’ and Article 20 is therefore not engaged.” Under complainants’ interpretations, Australia argues, tobacco control measures in common use among WTO Members, such as prohibitions on tobacco print and broadcast advertising, would fall under Article 20’s scope.

In response, Indonesia asserted that “Australia’s interpretation would create an untenable situation where the TRIPS Agreement would allow Members total freedom to impose a prohibition on the use of a trademark without justification or explanation, but would be required to provide a justification and explanation when imposing limitation on the use of a trademark.” Indonesia argued that Australia’s concern that a country’s ability to ban a product could fall within the scope of Article 20, thereby undermining other tobacco-control policies, is flawed because:

[T]here is a distinction between a general prohibition on the availability of a good and a prohibition on the use of a specific trademark or a special class of trademarks on a good that is lawfully placed on the market. Article 20 is not concerned with the application of any and all requirements that may indirectly encumber the use of trademarks. Rather, it addresses the application of “special requirements.” A general prohibition, such as on the sale of a good in the market or on advertising generally, does not satisfy the definition of a “special requirement” on the use of a trademark.

144 Id. ¶ 7.2187.
145 Id. ¶ 7.2185.
146 Id. ¶ 7.2225.
147 Id. ¶ 7.2189.
148 Id. ¶ 7.2202; see also id. ¶ 7.2194 (noting the Dominican Republic made a similar point in arguing that a prohibition on use of a trademark would clearly be an encumbrance and that it would make no sense to permit a Member to severely encumber a trademark to the point of defeating its function, yet require a Member to justify a weak form of encumbrance).
149 Australia Trademarks Panel Report, supra note 4, ¶ 7.2203.
Rather, Article 20 does not apply to advertising bans or restrictions on availability of a product. It applies to “legal conditions directly regulating the trademark itself.”

The Panel rejected Australia’s argument insofar as it refused to link governments’ ability to prevent trademark use in Article 19 with whether such a ban constitutes a “special requirement” under Article 20. The Panel stated that “[t]he fact that Article 19 contemplates the existence of a government measure that prevents the use of a trademark . . . does not, as such, address whether any such measure would amount to a special requirement affecting the use of a trademark and be subject to the disciplines of Article 20.”

On the question of the exact meaning of “special requirements” that encumber use of a trademark in the course of trade, both parties and non-parties advanced very different interpretations. Even those parties on the same side of the dispute interpreted “special requirements” differently. For example, Honduras submitted that a “special requirement” in the context of Article 20 means “measures of a compulsory nature that are exceptional, address distinctive elements of a trademark, or are limited in their application to particular aspects of trademarks or their use.” The Dominican Republic argued that a “special requirement” is a condition mandated by the government and is unusual either because “it prescribes ‘use’ of a trademark in a manner that departs from the usual treatment of a trademark; or . . . it applies to trademarks used in connection with a particular type of good or service; or . . . both.” In Cuba’s estimation, the requirements were “‘special’ because they affect only trademarks used on tobacco products.” Indonesia argued that “‘special requirements’ are ‘mandated requirements that: 1) apply to a limited product class; 2) apply only for a particular purpose; or 3) are distinct from

\footnote{150 Id. ¶ 7.2196.}
\footnote{151 Id. ¶ 7.2230.}
\footnote{152 Id. ¶ 7.2176.}
\footnote{153 Id. ¶ 7.2179.}
\footnote{154 Id. ¶ 7.2181.}
those that apply generally or ‘usually’.”155 Under any of these interpretations, TPP measures would be considered special requirements.

To understand the meaning of the term “special requirements” in the context of Article 20, the Panel determined that “the term ‘requirements’ is broad in scope.”156 The Panel referenced the Oxford English Dictionary entry definition of “requirement” as “‘[s]omething called for or demanded; a condition which must be complied with.’”157 A “requirement” could be permitting or banning “a certain action.”158 The Panel also determined that the term “special” suggests two connotations: the first “‘[h]aving a close or exclusive connection with a specified person [or] thing[;]’” and the second, “being ‘[e]xceptional in quality or degree; unusual; out of the ordinary.’”159

The Panel then concluded this issue by deciding similarly to Honduras’ position noted above in stating:

[T]he term “special requirements” refers to a condition that must be complied with, has a close connection with or specifically addresses the “use of a trademark in the course of trade”, and is limited in application. This may include a requirement not to do something, in particular a prohibition on using a trademark.160

b. Meaning of “encumbrance”

Next, the Panel frames the question “for the purposes of determining whether ‘special requirements’ may be considered to ‘encumber the use of a trademark’, [the relevant question] is not whether the trademark is being used, but rather whether its use is being encumbered by the ‘special requirements’ at
Disputing Australia’s position, the Panel opined as follows:

[W]e see no basis for assuming that a “special requirement” prohibiting entirely the use of a trademark would not “hinder” or “hamper” the use of such trademark . . . if the use of a trademark is prohibited, it is “encumbered” to the greatest possible extent. We are therefore not persuaded that the terms of Article 20 imply that only “special requirements” that would determine how a trademark may be used . . . may be considered to “encumber the use” of such trademark.”

In essentially concurring with Indonesia’s argument, the Panel agrees that Australia’s position is “counterintuitive’ . . . [in that] a measure that restricts the use of a trademark would be subject to . . . Article 20 while a more far-reaching measure to prohibit such use would not.”

The Panel concluded that “the requirements of the TPP measures permitting the use of word marks on tobacco retail packaging . . . constitute ‘special requirements’ within the meaning of Article 20.” The Panel further concluded that “[i]t is also not in dispute that these requirements ‘encumber’ the use of the affected trademarks, in that they restrict the manner in which the trademarks at issue may be displayed on the relevant products and their packaging.” The Panel finally stated: “[w]e therefore agree with the parties that these measures affecting word marks amount to ‘special requirements’ that ‘encumber’ the use of trademarks.”

161 Australia Trademarks Panel Report, supra note 4, ¶ 7.2232 (emphasis added).
162 Id. ¶ 7.2236.
163 Id. ¶ 7.2238.
164 Id. ¶ 7.2241.
165 Id. ¶ 7.2242.
166 Id. ¶ 7.2242.
2. Whether the special requirements in the TPP measures encumber the “use of a trademark” “in the course of trade” (7.3.5.4)

a. Meaning of “in the course of trade”

The meaning of “in the course of trade” again elicited a diversion of interpretations. Adopting a narrow reading of the phrase, Australia argued that “course of trade” refers to acts taken during the buying and selling of goods for profit and that “an encumbrance is only relevant under Article 20 insofar as it encumbers the use of a trademark while the trademarked product remains within the course of trade, which... culminates at the point of sale.”167 In short, “course of trade” means while the trademarked product is being literally traded.

All complainants and third parties interpreted “course of trade” more broadly than Australia did. At one end, Honduras interpreted the phrase as capturing all activities related or linked to trade including “all activities that have a connection with, or a bearing on, trade, including for instance, transportation, distribution, display, sale, use, as well as advertising.”168 Slightly narrower in scope, the Dominican Republic interpreted “course of trade” as “the succession of events undertaken in producing, supplying, distributing, selling and delivering goods and services for commercial purposes.”169 Cuba asserted that trademarks are used to distinguish products from the perspective of consumers and commercial actors, and because they are relevant to buying and selling decisions of those actors, they are in the “course of trade.”170 Indonesia asserts that “the course of trade” refers to activities conducted in a commercial context as opposed to private use and as such, does not end at the point of sale.171 The European Union found Australia’s position too narrow because it excludes trademarks used in advertising, catalogues, and the like. To be used in the course of trade, “the mark must be used publicly and outwardly

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167 Australia Trademarks Panel Report, supra note 4, ¶ 7.2252.
168 Id. ¶ 7.2248.
169 Id. ¶ 7.2249.
170 Id. ¶ 7.2250.
171 Id. ¶ 7.2251.
in the context of commercial activity with a view to economic advantage for the purpose of ensuring an outlet for the goods and services which it represents.”

Again disagreeing with Australia, the panel decided that “the course of trade” does not specifically terminate or relate to the point of sale or divide pre- and post-sale situations, noting that in the ordinary meaning of the phrase, course of trade is not limited to buying and selling, but rather, it “more broadly covers the process relating to commercial activities.” Therefore, in the context of Article 20, “in the course of trade” does not culminate at the point of sale.

b. Meaning of “use of a trademark”

Again, employing a narrow interpretation, Australia argued that the use of a trademark is functional only: to distinguish goods and services from those of other sources. As such, Article 20 does not cover special requirements which encumber the use of a trademark for other reasons, such as to convey positive associations with a product or to market to particular segments of consumers. According to Australia, “[t]he use of a trademark to advertise and promote... is not part of the distinguishing function of a trademark” since the tradename alone is sufficient to identify the source. In support, Australia pointed to the definition of “protectable subject matter” in TRIPS Article 15.1, which is “[a]ny 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.”

Because trademarks used to advertise and promote products fall outside the distinguishing function, they fall outside the purview of Article 20.

172 Id. ¶ 7.2258.
173 Id. ¶ 7.2263.
174 Id. ¶ 7.2261.
175 Id. ¶ 7.2264.
176 Id. ¶ 7.2265.
177 Id. ¶ 7.2267.
178 Id. ¶ 7.2266.
Not surprisingly, complainants opposed this view as too limiting. Honduras, for example, asserted that TRIPS protection is not limited to only those elements Members think are necessary to distinguish the products, but also covers other protection, like figurative elements, that are capable of distinguishing products.\textsuperscript{179} “There is no basis in the TRIPS Agreement or in international [Intellectual Property] law generally for asserting that word marks distinguish products in a neutral manner [without marketing, promotion, etc.] whereas figurative elements do not.”\textsuperscript{180} The Dominican Republic asserted that interpretation of the phrase “the use of a trademark is encumbered” does not require that the encumbrance on use prevent the identification of the commercial source.\textsuperscript{181}

Again, the Panel did not adopt Australia’s position and defined “use of a trademark” closer to the complainants’ views. The Panel determined that Article 20’s language is broad and does not qualify the “use” in any particular way other than being in the “course of trade.”\textsuperscript{182} Also, the definition of protectable subject-matter provided in Article 15.1 does not imply any limitation on the types of uses that are relevant to Article 20.\textsuperscript{183} In conclusion, “the relevant ‘use’ for the purposes of Article 20 is not limited to the use of a trademark for the specific purpose of distinguishing the goods and services of one undertaking from those of other undertakings.”\textsuperscript{184} As applied to the TPP dispute, the Panel finds that TPP measures affect the use of trademarks “in the course of trade”, even within the narrow meaning given to this term by Australia”\textsuperscript{185} and “amount to special requirements that encumber ‘the use of a trademark in the course of trade[].’”\textsuperscript{186}

\textsuperscript{179} Australia Trademarks Panel Report, supra note 4, ¶ 7.2272.
\textsuperscript{180} Id. ¶ 7.2273.
\textsuperscript{181} Id. ¶ 7.2276.
\textsuperscript{182} Id. ¶ 7.2280.
\textsuperscript{183} Id. ¶ 7.2283 (defining “protectable subject matter” as “[a]ny sign or combination of signs capable of distinguishing the goods or services of one undertaking from those of other undertakings”).
\textsuperscript{184} Id. ¶ 7.2286.
\textsuperscript{185} Australia Trademarks Panel Report, supra note 4, ¶ 7.2288.
\textsuperscript{186} Id. ¶ 7.2292.
Whether the TPP measures “unjustifiably” encumber the use of trademarks in the course of trade (7.3.5.5)

At the heart of the dispute between complainants and Australia lies the disagreement over whether TPP measures are an unjustifiable encumbrance. No prior panel has considered the meaning of “unjustifiable” in the context of Article 20. Some legal scholars, like Professor Andrew Mitchell and University of Melbourne Law School, correctly predicted in advance of the panel’s decision that “[i]f it is established that Article 20 applies, the main issue is whether the special requirement encumbrance can be justified.”

This raises a critical question, which is how should a Dispute Resolution Panel evaluate whether the measures are unjustifiable?

To begin, no party in the case disputes that the pursuit of public health is a legitimate objective (articulated in TRIPS Article 8.1, noted above). However, as Nicaragua asserted, although public health is a legitimate policy objective that “does not mean that any measure taken in furtherance of public health is ‘justifiable.’” When pursuing an indisputably legitimate objective, to what extent can a Member encumber the trademark rights of another Member? What factors are considered when determining whether the use of a trademark in the course of trade is being unjustifiably encumbered by special requirements? The following are the positions advanced by complainants and respondents in framing how “unjustifiably” should be decided.

a. Meaning of term “unjustifiably”

Public health objectives, in Honduras’ view, must be balanced against Members’ obligation to ensure intellectual property rights of fellow Members. Achieving this objective

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187 Id., ¶ 7.2328 (noting the panel found that Australia states the term “unjustifiable” has not been considered by the panel and the Appellate Body in the context of Art. 20 but has been considered in other contexts).
188 Mitchell, supra note 80, at 412.
189 See supra note 103.
190 Australia Trademarks Panel Report, supra note 4, ¶ 7.2372.
191 Id., ¶ 7.2305 (noting that Honduras extends this by stating that if the relevant measures consist of “blanket and indiscriminate restrictions on the
rests on a determination of whether the measure “(i) makes a material contribution to the public policy objective; and (ii) constitutes the least-restrictive means to achieve this objective among other options that are reasonably available.”

In a similar approach, the Dominican Republic advanced a legal standard which involves balancing the following four factors: the nature and extent of the encumbrance; the objective the Member seeks to achieve; whether the encumbrance contributes to the objective; and whether less-restrictive alternative measures could have been equally effective. In balancing these interests, the Dominican Republic asserted that Article 20 aims to “safeguard[] . . . to the greatest extent possible, the ability of a trademark to fulfill its basic function of distinguishing goods or services, without prejudicing the ability of a Member to achieve other legitimate objectives.” Cuba submitted that a special requirement is unjustifiable if the objective is illegitimate; the special requirement is ineffective in achieving its objective; or if the special requirement is disproportionate because alternative measures are less of an encumbrance. In this case, Cuba argued that TPP measures are unjustifiable because they are ineffective or because they are disproportionate. Indonesia supported a sliding scale where “measures that impose a high degree of encumbrance also impose a higher burden on the respondent to justify the measure.”

Based on previous panel and Appellate Body decisions interpreting the word “unjustifiably” in other contexts, Australia contended “that the use of a trademark in the course of trade is ‘unjustifiably’ encumbered by special requirements only if there is no ‘rational connection’ between the imposition of the special requirements and a legitimate public policy objective.”

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192 Id. (referencing Honduras’s first written submission, para. 315 and Honduras’s second written submission, paras. 361–72).
193 Id. ¶ 7.2311.
194 Id. ¶ 7.2313.
195 Id. ¶ 7.2319.
196 Australia Trademarks Panel Report, supra note 4, ¶ 7.2324.
197 Id. ¶ 7.2329 (citing Australia’s first written submission, para. 369 and
According to Australia, the relevant inquiry is “whether the complainants have shown that the relationship between the encumbrance imposed by the measure and the measure’s objective is not one that is within the range of rational or reasonable outcomes.”\textsuperscript{198} “Interpreting the term ‘unjustifiably’ to include a requirement of ‘least restrictiveness’ would render this term functionally equivalent to a standard of ‘necessity’.”\textsuperscript{199} Returning to its position that TRIPS ensures negative rights but not positive ones, Australia argued, in essence, that complainants’ arguments rest on a right of use, but TRIPS does not confer a right of trademark use.\textsuperscript{200}

In Australia’s view, “the fact that the TRIPS Agreement requires Members to confer certain negative rights of exclusion upon IP owners ‘inherently grants Members freedom to pursue legitimate public policy objectives’, since most measures that regulate the use or exploitation of IP will not interfere with the rights of exclusion that Members are required to confer.”\textsuperscript{201}

At the heart of the case is the issue of the meaning and implications of the term “unjustifiably.” The panel noted that:

The parties have discussed extensively the implications of the use of the term “unjustifiably” in Article 20 on the nature and extent of the relationship that must exist between, on one hand, encumbrances on the use of trademarks resulting from the special requirements at issue and, on the other, the reasons for which these special requirements were adopted, or, in other words, how it should be determined whether these reasons are sufficient to support, and provide a justification for, the encumbrance resulting from the special requirements.\textsuperscript{202}

Fundamentally, two other TRIPS provisions relate to the issue of justifiability, Article 8, quoted previously in this article, and Article 7. Article 7, titled “Objectives,” provides that:

noting Australia’s response to Panel question No. 107).
\textsuperscript{198} Id. ¶ 7.2330 (citing Australia’s second written submission, para. 149).
\textsuperscript{199} Id. ¶ 7.2333.
\textsuperscript{200} Id. ¶ 7.2340.
\textsuperscript{201} Id. ¶ 7.2345.
\textsuperscript{202} Australia Trademarks Panel Report, supra note 4, ¶ 7.2412.
The protection and enforcement of intellectual property rights should contribute to the promotion of technological innovation and to the transfer and dissemination of technology, to the mutual advantage of producers and users of technological knowledge and in a manner conducive to social and economic welfare, and to a balance of rights and obligations.\(^{203}\)

The panel noted that Article 8 contextualizes the term “unjustifiably” in Article 20 and acknowledges the legitimacy of certain reasons for encumbering trademark use, including pursuing certain legitimate societal interests.\(^{204}\)

In formulating a test for determining whether something is unjustifiable in Article 20 cases, the panel rejected Australia’s claim that “the use of a trademark is ‘unjustifiably’ encumbered only if there is no rational connection between the imposition of the special requirements and a legitimate public policy objective.”\(^{205}\) Australia rested its argument on its interpretation of Brazil – Retreaded Tyres, which, Australia claimed supported the view that “the use of a trademark is ‘unjustifiably’ encumbered only if there is no rational connection between the imposition of the special requirements and a legitimate public policy objective.”\(^{206}\) However, the panel noted that it does not follow that whenever some degree of rational connection does exist, this would always be “sufficient to justify the discrimination at issue.”\(^{207}\) Importantly, “the use of the term ‘unjustifiably’ conveys a requirement that encumbrances . . . be capable of being explained, and that a justification or reason should exist that sufficiently supports the encumbrance resulting from the action or measure at issue.”\(^{208}\) This involves some degree of rational explanation, but the existence of just any rational connection will not always be sufficient to support the

\(^{203}\) TRIPS, supra note 5, art. 7.

\(^{204}\) Australia Trademarks Panel Report, supra note 4, ¶¶ 7.2404, 2.2405.

\(^{205}\) Id. ¶ 7.2420.

\(^{206}\) Id. ¶ 7.2420 (referencing the summary of Australia’s arguments in paras. 7.2328 and 7.2329).

\(^{207}\) Id. ¶ 7.2421.

\(^{208}\) Id. ¶ 7.2422.
imposition of the encumbrance permissible under Article 20.209

Upon rejecting Australia’s position advancing the rational connection argument, the panel articulated the following test:

[W]hether the use of a trademark in the course of trade is being “unjustifiably” encumbered by special requirements should involve a consideration of the following factors:

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

b. the reasons for which the special requirements are applied, including any societal interests they are intended to safeguard; and

c. whether these reasons provide sufficient support for the resulting encumbrance.210

The panel specifically avoided determining how exactly the interests should be weighed and balanced; instead, the panel opined that such an assessment should be carried out on a case-by-case basis.211

b. Are the TPP measures per se unjustifiable?

Before applying the 3-part test, the Panel considered the threshold claims argued by all four complainants that the TPP measures are per se unjustifiable; therefore, the 3-part test need not apply.212 Complainants advance four different reasons why TPP measures are per se unjustifiable, thereby obviating the need for further analysis and rendering the application of a balancing analysis described above unnecessary.213

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209 Id.
210 Australia Trademarks Panel Report, supra note 4, ¶ 7.2430 (emphasis added).
211 Id. ¶ 7.2431.
212 Id. ¶¶ 7.2433, 7.2434.
213 Id. ¶ 7.2433.
The Panel addressed four arguments in turn. First, Honduras and Indonesia argued that the extreme nature of the encumbrance, specifically the prohibition on the use of stylized work marks, figurative marks, and composite marks rises to a level of restrictiveness that cannot be justified. On this issue, the panel concluded that:

While a prohibition on use of a trademark by nature involves a high degree of encumbrance on such use, we see no basis for assuming that a particular threshold or degree of encumbrance would be inherently “unjustifiable” under this provision. Rather, we consider that this must in all cases be assessed in light of the circumstances in accordance with the standard of review that we have identified above.

Second, all four complainants argued that TPP measures are unjustifiable because Australia did not assess the justifiability of the requirements in respect of individual trademarks and their individual features. Of the four arguments advanced in support of per se unjustifiability, the most contested question was:

[Whether Article 20 requires the “unjustifiability” of any “special requirements” imposed on the use of trademarks to be assessed . . . in relation to each individual trademark and its specific features and whether . . . the encumbrances imposed by the TPP measures are per se “unjustifiable” in that they do not involve such an individual assessment but rather apply to all trademarks on tobacco products without distinction.]

In essence, complainants argued that Australia should have separately considered each individual design feature of a trademark, such as typeface, size, color, etc., and that each type of special requirement and its related encumbrance must be evaluated and justified independently. Honduras argued

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214 Id. ¶ 7.2434.
215 Id. ¶ 7.2441.
216 Australia Trademarks Panel Report, supra note 4, at ¶ 7.2434.
217 Id. ¶ 7.2492.
218 Id. ¶ 7.2462.
219 Id. ¶ 7.2465.
that since trademarks are “examined and approved on an
individual basis and exist as individual trademarks,”220
cencumbrances cannot “apply to a broad range of trademarks in
an indiscriminate manner.”221 The Dominican Republic argued
that trademark protection is individualized in terms of content,
acquisition, enjoyment, and enforcement of rights.222 As a
result, if a Member seeks to encumber the use of a trademark
through special requirements, it must take appropriate account
of the individual characteristics of each of the affected
trademarks.223 However, Australia countered that

[T]he fact that trademarks are ordinarily acquired, registered, and
enforced on an individual basis is simply a consequence of the fact
that trademarks must be capable of distinguishing between
products in the course of trade. It does not follow that any
justification for the imposition of special requirements upon the
use of a trademark must likewise be framed by reference to the
characteristics of individual trademarks.224

Australia also rebutted complainants’ claims by arguing that
they mischaracterized how TPP measures are designed to
operate.225 The premise of the TPP measure is not that the
trademarks increase the appeal of tobacco or decrease health
warnings. Rather, the premise is that TPP will minimize the
ability of tobacco packages to have these effects.226 The objective
is to “eliminate the opportunity for tobacco companies to use the
package as a medium for advertising and promoting the
product.”227

Australia made the compelling claim that the complainants
adopted an “extreme evidentiary approach to public health
c policymaking”.228 Within this approach, Australia would be

220 Id. ¶ 7.2446.
221 Id. ¶ 7.2449.
222 Australia Trademarks Panel Report, supra note 4, ¶ 7.2450.
223 Id. ¶ 7.2450.
224 Id. ¶ 7.2468.
225 Id. ¶ 7.2475.
226 Id.
227 Id. ¶ 7.2475.
228 Australia Trademarks Panel Report, supra note 4, ¶ 7.2474.
required to individually assess “each element of each trademark for each of the many hundreds of tobacco and cigar packages that were on the market in Australia prior to the implementation of tobacco plain packaging.” Additionally, Australia relied on the interpretation of TRIPS Article 17 in *EC- Trademarks and Geographical Indications (US)* where the panel concluded that there was “nothing in the text of Article 17 [that] indicate[d] that a case-by-case analysis is . . . require[d] under the TRIPS Agreement.”

As a starting point, the panel referenced the text of Article 20, noting that the language does not address whether “special requirements” refers to individual trademarks or a class of trademarks or use of a trademark in a particular situation. Providing many examples, the panel concluded “that the use of th[e] term [‘a trademark’] in the singular is a drafting convention used in many provisions of the TRIPS Agreement and . . . [does not imply] . . . that the justifiability of any special requirements must be assessed in respect of each individual trademark.” The panel agreed with the complainants “that trademarks are acquired, registered, maintained, invalidated and enforced on an individual basis” and “that decisions on eligibility for protection, registration and invalidation are taken in respect of individual trademarks.” However, the panel makes the critical distinction that Article 20 governs trademark use and has no bearing on the eligibility for registration, invalidation of trademarks, etc.

On this issue, the panel found in favor of Australia, reasoning that “Article 20 does not require the unjustifiability of special requirements under Article 20 to be in all cases assessed by a Member in respect of individual trademarks and their specific features.” The panel believed Australia’s stated

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229 Id. ¶ 7.2474.
230 Id. ¶ 7.2460.
231 Id. ¶ 7.2492.
232 Id. ¶ 7.2494.
233 Id. ¶ 7.2497.
234 Id. ¶ 7.2498.
235 Id. ¶ 7.2498.
236 Id. ¶ 7.2505.
rationale for TPP measures and decided that Australia’s approach—that prescribing a standardized, plain appearance for tobacco packages and products is intended to minimize the ability of tobacco packages and products to increase the appeal of tobacco products—detracts from the effectiveness of graphic health warnings, or mislead consumers as to the harms of tobacco use. They noted that the approach is not, per se, unjustifiable. Rather, to the extent that the requirements at issue relate to an entire class of marks or signs, an assessment of their unjustifiability is best approached in terms of the extent to which this is supported by the reasons for their adoption.\footnote{Id. ¶ 7.2507.}

Third, Indonesia argued that TPP measures are unjustifiable because Australia failed to follow its own process in adopting them. Indonesia argues—independently of any other complainant—that the TPP measures “unjustifiably encumber the use of trademarks in the course of trade because Australia had failed to follow its own process in adopting plain packaging.”\footnote{Id. ¶ 7.2509.} Indonesia advanced that “one of the definitions for ‘justified’ is ‘to show sufficient lawful reason for an act done’.”\footnote{Id.} Indonesia argued that Australia failed to follow its own regulatory procedures in passing TPP measures, and those regulatory procedures were designed to determine, inter alia, whether the proposed TPP measures were “justified.”\footnote{Australia Trademarks Panel Report, supra note 4, ¶ 7.2509.}

Australia first counterargued that “it fully adhered to its own internal administrative and legislative processes in developing the TPP measures.”\footnote{Id. ¶ 7.2510.} Australia’s next counterpoint was that whether Australia adhered to its own internal processes is “legally irrelevant to the interpretation and application of Article 20.”\footnote{Id.} Australia argued that adherence to domestic law is not relevant because the term “unjustifiable’ turns on an objective rationale for special requirements [of a trademark].”\footnote{Id.}
Again, the panel largely agreed with Australia on this point. Although the panel stated that it is possible that:

[T]he manner in which a measure was prepared and adopted may inform the assessment of the unjustifiability of specific “special requirements” under that standard[,] . . . Article 20 does not impose any specific independent obligation on Members as to how they should design their domestic legislative procedures or how those procedures should operate. A Member’s compliance with its own domestic regulatory procedures does not, in itself, determine whether a Member has complied with its obligations under Article 20.244

Fourth, Cuba argued the TPP measures fall within the illustrative list of measures in the first sentence of Article 20 and are therefore presumptively invalid. The first sentence of TRIPS Article 20 incorporates examples which Cuba claimed are illustrative of trademark restrictions presumed to be unjustifiable.245 In relevant part, Article 20 states:

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.246

The panel agreed with Australia that the examples are illustrative of special requirements, not examples of encumbrances that are unjustifiable.247

c. Whether use of a trademark in the course of trade is being “unjustifiably” encumbered by special requirements

Having determined that TPP measures relate to special requirements that encumber trademarks in the course of trade, and that those encumbrances are not per se unjustifiable, the final issue for the panel to resolve in the Article 20 portion of

244 Id. ¶ 7.2511.
245 Id. ¶ 7.2514.
246 TRIPS, supra note 5, art. 20.
their decision is whether TPP measures constitute an *unjustifiable* encumbrance. In so doing, the panel applied the 3-part test articulated previously in its decision and noted the need to weigh and balance different interests at issue on a case-by-case basis.\(^{248}\) The three-part test is as follows:

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

b. the **reasons for which the special requirements are applied**, including any societal interests they are intended to safeguard; and

c. **whether these reasons provide sufficient support** for the resulting encumbrance.\(^{249}\)

i. Nature and extent of the encumbrance

In considering the first factor, the panel considered the implications that the constraints have in the marketplace, both on (i) a trademark's ability to distinguish goods and services in the course of trade, and (ii) on a trademark owner's ability to extract economic value from the use of its trademark.\(^{250}\)

Arguments presented by the parties on this issue go to the essential purpose of trademarks and to the core of the protectable interests trademark law is designed to serve. It also raises the interesting question of whether a trademark is itself a form of advertising and/or promotion. Speaking broadly, complainants focused on the complexity of figurative aspects of trademarks and the message conveyed to consumers regarding branding. For example, the Dominican Republic argued:

For consumer goods, branding plays a critical role in promoting difference in the marketplace. Consumers are usually willing to pay a premium for this guarantee of the quality, characteristics

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\(^{248}\) *Id.* ¶ 7.2530.

\(^{249}\) *Id.* ¶ 7.2430 (emphasis added).

\(^{250}\) *Id.* ¶ 7.2533.
and reputation of the product. By distinguishing goods and services in the marketplace, and by signaling quality, characteristics, and reputation to consumers, trademarks create valuable competitive opportunities for producers and exporting countries.  

The panel summed up these arguments best:

The complainants have not sought to demonstrate that consumers have in fact been unable to distinguish the commercial source of tobacco products of one undertaking from those of other undertakings . . . as a result of the TPP trademark requirements. However, . . . they argue that the removal of figurative elements has undermined the ability of trademarks to signal individual tobacco products’ quality, characteristics and reputation to consumers.

Australia focused more narrowly on the classic definition of trademark as an identifier of the source of a product or service. For example, Australia argued that TPP measures still permit tobacco manufacturers to distinguish their products from those of others by allowing them to use company and brand name on tobacco retail packaging. TPP measures restrict the promotional function of trademarks by prohibiting the colors, logos, etc. and eliminate the use of the package for advertising, promoting, and conveying positive associations. However, this is consistent with FCTC Guidelines Article 13. In Australia’s view, TPP measures allow tobacco companies to identify and distinguish the product’s source in order for consumers to expect consistent quality when buying products with the same trademark and do not impede the use of trademarks to convey information about the product’s characteristics. Essentially, the “quality function” is closely

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251 Id. ¶ 7.2537.
252 Id. ¶ 7.2564.
253 Australia Trademarks Panel Report, supra note 4, ¶ 7.2541.
254 Id.
255 Id.
256 WHO FCTC, supra note 14, art.13 (“Each Party shall, in accordance with its constitution or constitutional principles, undertake a comprehensive ban of all tobacco advertising, promotion and sponsorship.”)
257 Australia Trademarks Panel Report, supra note 4, ¶ 7.2544.
related to the “source identification function.” TPP measures “do not impair the communication of the product’s quality, characteristics and reputation as regards consistency of experience and actual characteristics . . . TPP measures are intended precisely to reduce the opportunities to signal artificial perceptions and attitudinal characteristics or reputations, which Australia characterizes as an ‘advertising function’.”

Honduras, Cuba, and the Dominican Republic offered three differing perspectives on the role of trademarks beyond source identification. Honduras asserted, essentially, that trademarks on tobacco products in Australia are not advertisements, and that whether trademarks are used for advertising depends on context. Trademarks can be used in advertising, but “that does not mean that . . . trademarks are used for advertising in Australia because advertising has not been allowed for tobacco products in nearly the last 25 years.” Interestingly, Cuba argued that trademarks on tobacco products in Australia are a form of promotion stating that “[t]he manufacturers of prestige and luxury goods would not commit very substantial funds to marketing and global promotion of their trademarks if they would simply serve to identify a producer.” The Dominican Republic viewed the distinguishing features of trademark as placed on a spectrum. Each additional feature adds distinctive means for consumers to differentiate, and taking away each additional feature decreases distinguishing power. Specifically:

The removal of these differentiating features means that the relevant quality, characteristics, and reputation are not adequately communicated to consumers, as they would be absent the TPP measures . . . [T]he TPP measures have led to downtrading from higher- to low-priced tobacco products, which shows that the distinctions between brands have weakened, consumer loyalty has lessened, and switching between brands has

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258 Id. ¶ 7.2565.
259 Id. ¶ 7.2547.
260 Id. ¶ 7.2549.
261 Id. ¶ 7.2552.
262 Id.
increased.\footnote{263}{Australia Trademarks Panel Report, supra note 4, ¶ 7.2552.}

\footnote{267}{Id. ¶ 7.2563.}

The panel then acknowledged that under Article 20, use in the course of trade is not limited to a particular function of trademarks.\footnote{267}{Id. ¶ 7.2563.} In fact, the panel specifically declined conflating actual trademark use with different functions, and instead, focuses on “the implications of the TPP trademark requirements on a trademark’s ability to distinguish goods and services . . . and on the ways in which a trademark owner might wish to use its trademark in the marketplace, as well as how these
requirements affect consumers.”  

It is important to recognize the trademark owner’s interest in using the trademark for these various purposes, and TPP’s impact of TPP on such uses. Interestingly, the panel said: “[w]e also recognize that the impact of these measures may vary between the different purposes for which the right holder may wish to use its trademark.”

As to the purpose of a trademark as identifier of the source of the product, “[t]he complainants have not sought to demonstrate that consumers have in fact been unable to distinguish the commercial source of tobacco products of one undertaking from those of other undertakings . . . as a result of the TPP trademark requirements,” as they are still permitted to use company, brand, and variant names on retail tobacco packaging.

On the essential question of whether trademarks on tobacco packaging constitutes advertising and/or promotion, the panel concluded that:

[B]randed packaging can act as an advertising or promotion tool in relation to tobacco products, and . . . this has . . . been considered to be the case by tobacco companies operating in the Australian market, even in the presence of significant restrictions on advertising [and] . . . particularly . . . in a regulatory context such as Australia’s, where all other forms of advertising and promotion for tobacco products are prohibited.

Citing experts, the panel recognized that “a key purpose of the use of branding on tobacco products, including packaging, is to generate certain positive perceptions in relation to the product in the eyes of the consumer.” To quote one expert report submitted by the complainants, “trademarked packaging is the only remaining communication vehicle for cigarette

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268 Id.
269 Australia Trademarks Panel Report, supra note 4, ¶ 7.2562.
270 Id.
271 Id. ¶ 7.2564.
272 Id. ¶ 7.2566.
273 Id. ¶ 7.2567.
manufacturers in Australia, where advertising and promotional opportunities have been progressively reduced.\textsuperscript{274} However, Australia advances that the very purpose of the TPP measures is “to prevent such design features from creating positive product perceptions and thus to discourage the use of tobacco products by consumers.”\textsuperscript{275} This debate over the permissibility of trademark usage beyond product source identification and extending to product advertisement and/or promotion is at the core of this issue.

The panel acknowledged the impact of TPP on the use and value of creating and maintaining brand differentiation in a few significant ways. One expert noted that “the benefits that a strong brand provides to the firm . . . include greater customer loyalty, higher margins and ease of international expansion.”\textsuperscript{276} Additionally, the value of a strong brand is especially high for a product like cigarettes since brands are key sources of differentiation among otherwise largely similar products.\textsuperscript{277} The panel noted that

\begin{quote}
[B]y disallowing the use of design features of trademarks, the TPP measures prevent a trademark owner from using such features to convey any messages about the product . . . and deriving any economic value from the use of such features. Therefore, the TPP measures prevent a trademark owner from extracting economic value from any design features of its trademark through its use in the course of trade.\textsuperscript{278}
\end{quote}

But despite that powerful acknowledgment, the panel decided this issue in Australia’s favor. In doing so, it ultimately rested its rationale on two points: (i) “[t]he practical implications of those prohibitions are partly mitigated by the fact that the TPP measures allow tobacco manufacturers to use word trademarks, including brand and variant names, to distinguish their products from each other[;]”\textsuperscript{279} and (ii) there is no evidence that

\begin{footnotesize}
\begin{enumerate}
\item \textsuperscript{274} Id. ¶ 7.2568.
\item \textsuperscript{275} Australia Trademarks Panel Report, supra note 4, ¶ 7.2567.
\item \textsuperscript{276} Id. ¶ 7.2568.
\item \textsuperscript{277} Id. ¶ 7.2568.
\item \textsuperscript{278} Id. ¶ 7.2569.
\item \textsuperscript{279} Id. ¶ 7.2570.
\end{enumerate}
\end{footnotesize}
consumers have been unable to distinguish between tobacco products.\(^\text{280}\)

\[\text{ii. Trademark owner’s ability to extract economic value from the use of its trademark}\]

The complainants argued that by restricting the opportunity for product differentiation, TPP measures “increase price competition and adversely impact in particular premium brands.”\(^\text{281}\) Previously in their opinion, the panel analyzed evidence on the impact of reduced differentiation on prices and on downward substitution.\(^\text{282}\) On the issue of price competition, empirical evidence submitted by both Australia and the complainants showed that the net of taxes price of tobacco products has increased since the introduction of the TPP measures, with higher-priced brands maintaining their pricing premiums.\(^\text{283}\) Moreover, in the period from Q4 2009 to Q3 2013, even though tobacco product consumption decreased, the total value of the retail market increased.\(^\text{284}\) The panel concluded:

Overall, the empirical evidence before us relating to cigarette prices, to the total value of the retail market and to the total value and volume of cigarette imports does not validate the complainants’ argument that the TPP measures will lead to an increase in price competition and a fall in prices, and consequently to a decrease in the sales value of tobacco products and the total value of imports.\(^\text{285}\)

Lastly, although the panel found some limited evidence that the TPP measures appear to have had a negative impact on the ratio of higher- to low-priced cigarette wholesale sales, the panel was “not persuaded . . . that this decrease in the consumption and imports of premium tobacco products is exclusively the result of ‘downtrading’ . . . i.e. a transfer of consumption/imports from premium to non-premium products.”\(^\text{286}\)

\(^{280}\) Id.
\(^{281}\) Id.\(^{\text{Australia Trademarks Panel Report, supra note 4, ¶ 7.2571.}}\)
\(^{282}\) Id.
\(^{283}\) Id. \(\text{¶} 7.2572.\)
\(^{284}\) Id.
\(^{285}\) Id.
\(^{286}\) Id. \(\text{¶} 7.2573.\)
ii. Reasons for which the special requirements are applied, including any societal interests they are intended to safeguard

Australia provided extensive evidence for the reasons it undertook TPP measures. It cited WHO statistics that “[t]obacco use is responsible for the deaths of nearly 6,000,000 people annually, including 600,000 non-smokers exposed to second-hand smoke.”287 It pointed out that there is no safe level of tobacco usage—tobacco use harms nearly every organ in the body; nicotine is highly addictive; cigarettes are particularly effective in delivering nicotine; tobacco is a unique, highly addictive, and deadly product; and tobacco is “the only legal consumer product that kills half of its long-term users when used exactly as intended by the manufacturer.”288 Importantly, Australia noted that “[t]his decision was made in the context of the comprehensive range of Australian tobacco control measures, including advertising and promotional bans, excise measures, graphic health warnings, and investment in anti-smoking initiatives,”289 a point the panel reiterated in its decision.290 None of the complainants disputed whether smoking is dangerous,291 and Honduras claimed that the dispute “is not about whether smoking is dangerous or whether it affects the health of many people in Australia and around the world—it is and it does.”292 (The other three complainants also espoused the importance of public health).293 Rather, “[i]n Honduras’ view, ‘[t]he issue before the panel is whether the simple invocation of the protection of public health, without more, provides a sufficient basis for a Member to disregard its binding multilateral commitments.’”294

287 Australia Trademarks Panel Report, supra note 4, ¶ 7.2576.
288 Id. ¶ 7.2578.
289 Id. ¶ 7.2581.
290 Id. ¶ 7.2586.
291 See id. ¶¶ 7.2582–7.2585 (discussing that Honduras, the Dominican Republic, Cuba and Indonesia all recognized in the dispute, to one degree or another, the dangers of smoking tobacco and the importance of governmental public health initiatives).
292 Id. ¶ 7.2582 (emphasis added).
294 Id. ¶ 7.2582.
The panel determined that the reasons supporting Australia’s passage and implementation of TPP measures are to improve public health by reducing the use of and exposure to tobacco products. These measures are part of a larger strategic plan involving “advertising and promotional bans, excise taxes, GWHs [graphic health warnings] and investments in anti-smoking initiatives.”295 As noted above, the parties agreed about the priority of public health and the importance of effective tobacco control measures.296 The panel also pointed to WTO members’ emphasis on the importance of public health as a legitimate policy concern under paragraph 4 of the Doha Declaration.297

ii. Whether these reasons provide sufficient support for the resulting encumbrance

To begin answering this central question, the panel noted that it must first “assess the public health concerns that underlie the TPP trademark requirements against their implications on the use of trademarks in the course of trade, taking into account the nature and extent of the encumbrances at issue.”298

The parties did not dispute that the grounds on which the special requirements are applied under TPP address an “exceptionally grave domestic and global health problem involving a high level of preventable morbidity and mortality.”299 These special requirements, in conjunction with the overall TPP and tobacco-control measures, “are capable of contributing, and do in fact contribute, to Australia’s objective of improving public health by reducing the use of, and exposure to, tobacco products.”300 In the panel’s view, this suggested that the reasons for the application of the trademark requirements provided sufficient support for the resulting encumbrances and that TPP measures are not applied unjustifiably in this case.301

295 Id. ¶ 7.2589.
296 Id. ¶ 7.2587.
297 See id. ¶ 7.2588 (referencing Doha Declaration, supra note 104, ¶ 4).
298 Id. ¶ 7.2591.
299 Australia Trademarks Panel Report, supra note 4, ¶ 7.2592.
300 Id.
301 Id. ¶¶ 7.2592, 7.2593.
removal of design features on cigarette packaging “is apt to reduce the appeal of tobacco products and increase the effectiveness of GHWs [graphic health warnings]. It is integral to this approach that the use of certain figurative features and signs . . . is restricted as part of the overall standardization of retail packaging”\textsuperscript{302} and “the uniformity of these features is also an integral part of the approach underlying the TPP measures.”\textsuperscript{303} The panel next noted that:

[T]he importance of the public health reasons for which the trademark-related special requirements under the TPP measures are applied is further underscored by the fact that Australia pursues its domestic public health objective in line with its commitments under the FCTC, which “was developed in response to the globalization of the tobacco epidemic” and has been ratified by 180 countries.\textsuperscript{304}

The panel rejected the complainants’ proposal to analyze alternative measures.\textsuperscript{305} Complainants suggested alternative measures, but the panel concluded that they had not shown that any of the proposed alternatives would be better in contributing to Australia’s public health objective or that proposed alternatives call into question the sufficiency of the reasons Australia advanced in support of its TPP restrictions.\textsuperscript{306} In particular, “[the panel] observed that any pre-vetting mechanism would involve the introduction of administrative discretion and the possibility of permitting tobacco packaging elements that would have impacts that are contrary to the TPP measures’ objective.”\textsuperscript{307}

On the issue of the need for examination of alternative measures, the panel carefully laid out a middle ground. On one hand, it provided some scope of policy making flexibility and control widely recognized as fundamental for a sovereign state. The panel interpreted the term “unjustifiably” in Article 20 to

\textsuperscript{302} Id. ¶ 7.2593.

\textsuperscript{303} Id. ¶ 7.2594.

\textsuperscript{304} Id. ¶ 7.2596.

\textsuperscript{305} Australia Trademarks Panel Report, supra note 4, ¶ 7.2601.

\textsuperscript{306} Id.

\textsuperscript{307} Id. ¶ 7.2594.
provide “a degree of latitude to a Member to choose an intervention to address a policy objective, which may . . . impact . . . the use of trademarks in the course of trade, as long as the reasons sufficiently support any resulting encumbrance.” However, the panel also noted that inquiry of alternative measures is in fact relevant to the issue of justifiability. The panel stated that it is:

[N]ot exclud[ing] the possibility that the availability of an alternative measure could, in . . . a particular case, call into question the reasons a respondent would have given for the adoption of a measure challenged under Article 20. This might be the case . . . if a readily available alternative would lead to at least equivalent outcomes in terms of the policy objective of the challenged measure, thus calling into question whether the stated reasons sufficiently support any encumbrances on the use of trademarks resulting from the measure.  

To conclude, the panel acknowledged that trademarks have substantial economic value and that special requirements are far-reaching in terms of trademark owners’ opportunities to extract economic value from the use of figurative or stylized trademark features. In light of that recognition, the panel’s rationales for concluding that TPP measures are not an unjustifiable encumbrance on special trademark requirements in the course of trade, and therefore not a violation of Article 20, consist of the following: first, the gravity of the tobacco control issue is an “exceptionally grave domestic and global health problem,” a point that was both uncontested and amply supported; second, there is demonstrative value of the TPP measures insofar as, in conjunction with the rest of Australia’s tobacco control plan, the measures have helped fulfill public health objectives; third, TPP is an integral part of comprehensive tobacco control policies; fourth, Australia has

308 Id. ¶ 7.2598.
309 Id.
310 Id. ¶ 7.2604.
311 Australia Trademarks Panel Report, supra note 4, ¶ 7.2605.
312 Id. ¶ 7.2592.
313 Id. ¶ 7.2604.
314 Id. ¶ 7.2604.
pursued its public health objectives in line with emerging multilateral public health policies as reflected by FCTC; third, the panel rejected complainants’ argument that individual trademark features must be individually assessed under Article 20; and sixth, the panel rejected complainants’ argument that alternative measures preclude a finding of justifiability and that a pre-vetting mechanism should have been introduced.

III. CONCLUSIONS AND FURTHER EXPLORATION

On July 19, 2018, Honduras appealed the Panel Report to the Appellate Body. As of this writing, no announcement has been made regarding the expected timing of the Appellate Body’s forthcoming report. In the meantime, there are several lessons to glean from the Panel Report decision and the progress of the case so far. First, the importance of this case—its outcome, the panel’s rationale, and legal and business implications—is hard to overstate. According to Professor Daniel Gervais of Vanderbilt Law School, who was interviewed for a 2013 Forbes article, “[t]his is the ‘first TRIPS debate on the intersection between trademarks and health . . . [and] [i]t’s a huge precedent to set no matter how you cut it.” Based on the panel report in the case so far, here are some preliminary conclusions and potential legal and business implications.

A. Legal Conclusions and Implications

1. New guidance on important legal issues

In its report, the panel articulated a number of legal principles which, if upheld by the Appellate Body, will provide important guidance in future cases involving challenges

315 Id. ¶ 7.2504.
316 Id. ¶ 7.2603.
317 Australia Trademarks Panel Report, supra note 4, ¶ 7.2603.
involving TRIPS Article 20 and other TRIPS provisions. The following are of particular note.

a. Burden of Proof for justifiability element

Not surprisingly, the panel stated that “it is for the complainants to present a prima facie case that the TPP measures amount to special requirements and that the use of a trademark in the course of trade is unjustifiably encumbered by these requirements.”320 Of note is the panel’s rejection of the complainants’ claim to the contrary in deciding that the burden of proof rested with the complainants for the element of justifiability.

b. per se unjustifiable

Also significant is the panel’s opinion regarding complainants’ claims that Australia’s TPP measures are per se unjustifiable. First, the extreme nature of the encumbrance’s restrictiveness is not, in and of itself, enough to render the encumbrance per se unjustifiable.321 However, the fact that Australia could advance any rational connection at all to support TPP measures is not sufficient to eliminate an inquiry on per se unjustifiability. Even where the rational connection exists, the panel must still inquire as to whether the special requirements that encumber the trademark in the course of trade are per se unjustifiable.322 Second, and perhaps most critically, the panel rejected complainants’ argument that Australia should have separately considered each individual design feature of a trademark, such as typeface, size, and color.323 An opposing decision on this point could have been insurmountable for Australia. The panel determined that “Article 20 does not require the unjustifiability of special requirements . . . to be in all cases assessed by a Member in respect of individual trademarks and their specific features.”324 Third, although the panel stated that the way in which measures are domestically designed and adopted can inform the assessment of

320 Australia Trademarks Panel Report, supra note 4, ¶ 7.2169.
321 Id. ¶ 7.2441.
322 Id.
323 Id. ¶ 7.2462.
324 Id. ¶ 7.2505.
unjustifiability of specific special requirements, it also stated that Article 20:

[D]oes not impose any specific independent obligation on Members as to how they should design their domestic legislative procedures or how those procedures should operate. A Member’s compliance with its own domestic regulatory procedures does not, in itself, determine whether a Member has complied with its obligations under Article 20.\footnote{\textit{Id.} ¶ 7.2511.}

This respects Members’ sovereign decision-making processes and policy development, yet it also recognizes that adherence to domestic rules cannot serve as a thinly-veiled bad faith argument. Last, the language of TRIPS Article 20 incorporates examples of special requirements, not examples of encumbrances that are unjustifiable.\footnote{\textit{Australia Trademarks Panel Report}, supra note 4, ¶ 7.2526.}

c. test for justifiability

The formulation of a test for justifiability was the key issue in the Article 20 portion of the panel’s decision, and arguably the most important legal question resolved in the entire 888 page panel report. Writing prior to the panel decision, Professor Mitchell stated, “[t]he concept of ‘justifiability’ under Article 20 is ambiguous and has not been considered in any WTO jurisprudence.”\footnote{Mitchell, supra note 80, at 413.} Although Dispute Panels and the Appellate Bodies have considered the meaning of “unjustifiable” in other contexts, no prior report or decision has considered the meaning of “unjustifiable” in the context of Article 20.\footnote{\textit{Australia Trademarks Panel Report}, supra note 4, ¶ 7.2328.} The panel articulated that these factors to consider in the determination of whether the special requirements that encumber trademarks violate Article 20: (a) nature and extent of the encumbrance; (b) reasons for the special requirement; and (c) whether the reasons provide sufficient support for the encumbrance.\footnote{\textit{Id.} ¶ 7.2529.}
d. Whether the Panel must consider alternative measures

Should alternative measures that could have been deployed be considered? Does it matter whether alternative measures could have made an equivalent contribution while imposing less or no encumbrance? While providing “a degree of latitude to a Member to choose an intervention to address a policy objective . . . as long as the reasons sufficiently support any resulting encumbrance[,]” the panel also noted that inquiry of alternative measures is in fact relevant to the issue of justifiability. Interestingly, the panel appeared to be deciding that the relevance of alternative measures would help preclude questionable or bad faith claims of justifiability, stating that “the availability of an alternative measure could, in . . . a particular case, call into question the reasons a respondent would have given for the adoption of a measure challenged under Article 20.”

2. Critical nature of justifiability element

While legal analysis can hardly be reduced to a scorecard, it is worthwhile to note that of the five Article 20 elements the panel identified (special requirements, encumbrance, course of trade, use of trademark and unjustifiably), Australia “lost” four. And yet, the panel decided that Australia was not in violation of Article 20 in enacting TPP measures. One implication is just how much of the case turned on issue of proving justifiability of trademark special requirements.

3. Do Australia’s TPP measures work? Is the measures’ effectiveness relevant to the question of justifiability?

There is good news on this front. At least to some extent, TPP measures work. As mentioned, the law became effective December 1, 2012. According to the Government of Australia’s Post-Implementation Review of Plain Packaging 2016 [PIR]:

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330 Id. ¶ 7.2598.
331 Id.
332 Id.
333 Id. ¶¶ 7.2145, 7.2146.
The major relevant datasets all show drops in national prevalence rates since 2012. For example, data from Roy Morgan Research, the [Australian Bureau of Statistics] and [Australian Institute of Health and Welfare] relating to tobacco prevalence, as well as data relating to tobacco excise and duty clearances, and household expenditure, all show continuing declines in recent years. Dr[.] [Tasneem] Chipty’s modelling also estimated a 0.55 percentage point drop in smoking prevalence in Australia, over 34 months following implementation, attributable to the 2012 packaging changes. This strong result, that is “likely understated”, is expected to grow into the future as the full effects of the 2012 packaging changes are reali[z]ed over the longer term.\footnote{Austl. Gov’t Dep’t of Health, Post-Implementation Review - Tobacco Plain Packaging 2016, 57, https://ris.pmc.gov.au/sites/default/files/posts/2016/02/Tobacco-Plain-Packaging-PIR.pdf [hereinafter Austl. PIR].}

According to the WHO, the referenced .55% fall in smoking equates to more than 108,000 people quitting, not relapsing or not starting to smoke during that period.\footnote{WHO World No Tobacco Day, supra note 6.} The PIR concluded that “[i]n light of all of the above, it is the conclusion of this PIR that the measure has begun to achieve its public health objectives of reducing smoking and exposure to tobacco smoke in Australia and it is expected to continue to do so into the future.”\footnote{Austl. PIR, supra note 334, at 57.}

Some have argued, prior to the release of the panel decision, that the strength of evidence as to whether and the extent to which plain packaging effectively reduces tobacco consumption is “likely to be central to the interpretation of what amounts to an unjustified encumbrance under TRIPS Agreement Article 20.”\footnote{Frankel & Gervais, supra note 45, at 1166.} While perhaps not “central,” the panel report does note that TPP measures “are capable of contributing, and do in fact contribute, to Australia’s objective of improving public health by reducing use of, and exposure to, tobacco products.”\footnote{Australia Trademarks Panel Report, supra note 4, at ¶ 7.2592.} In the panel’s view, this suggested that the reasons for the application of the trademark requirements provide sufficient support for the resulting encumbrances.\footnote{Id.}
While proof of the effectiveness of plain packaging could justify the encumbrance resulting from special trademark requirements, proof that it does not work should not require a finding that the encumbrance is not justified. Requiring governments to prove the efficacy of yet-to-be-implemented or newly-implemented policy measures to show justification of special requirements would be crippling. This could result in less innovation, greater burden, and more restraint and hesitancy in undertaking policy-making initiatives. Governments cannot always accurately predict outcomes before launching a new initiative, especially when being the first country to do so. Thus, governments should not be required to successfully fulfill their objectives. Moreover, efficacy can be difficult or impossible to measure. Some markers of success cannot be proven because they cannot be known. Who knows whether tobacco sellers would have engaged in new, sophisticated marketing that would have increased tobacco usage but for TPP measures? More importantly, such an approach would burden the policymaking that is the responsibility of sovereign governments, particularly as regards critical issues like public health. In short, efficacy of the special requirements is relevant to an analysis of justification, but proof of success should not be essential.

**B. Slippery slope?**

Some have warned that regulation similar to Australia’s TPP measures could apply to a number of consumer products such as alcohol, or fatty, sugary or salty foods. The case has even spawned alarmist claims that “global-warming regulators could decide gasoline refiners are encouraging excessive driving with their ads”\(^{340}\) and musings aloud as to “whether Bloombergian anti-obesity crusaders, say, could require pictures of diabetes-ravaged feet on cans of soda or morbidly obese patients on bags of potato chips.”\(^{341}\) Which product(s) could be next? Could plain packaging and similar advertising restrictions be extended to non-food products which could cause harm if misused, such as

\(^{340}\) See, e.g., Fisher, *supra* note 319 (discussing the possibility of future WTO controls).

\(^{341}\) *Id.*
pharmaceuticals or insecticide or construction equipment?

A full analysis is beyond the scope of this article, but the panel report in the Australia trademarks case informs the inquiry, frames relevant questions and enables some general predictions. Obviously, any Article 20 evaluation of trademark special requirements depends on the specific encumbrance and circumstances. Without this information, no one can answer questions about which consumer product packaging policy-making and rules can successfully be defended in an Article 20 challenge. However, here are a few general observations.

The panel in the case focused in large part on the following three points. Application of these to other unhealthy food products can help evaluate how close a similar trademark restriction scheme would map to the TPP Article 20 challenge.

First, they focused on the tobacco control issue, stating that it is an “exceptionally grave domestic and global health problem,” a point that was both uncontested and amply supported. Alcohol is also a serious problem worldwide. Globally, there were about 3.3 million deaths in 2012 (5.9% of all global deaths) attributable to alcohol consumption. Of course, there are numerous severe social and economic consequences beyond this. Unhealthy foods such as sugary and salty foods contribute to rising obesity levels, which in turn cause a host of health and related problems. The similarities and differences of the medical and health effects of these products as compared to tobacco usage would be an important consideration.

342 Australia Trademarks Panel Report, supra note 4, ¶ 7.2592.
344 See generally id. 11–16 (discussing major disease and injury categories causally impacted by alcohol consumption).
Second, they focused on how TPP is an integral part of comprehensive tobacco control policies. TPP measures were taken as part of a much larger strategy involving many other initiatives. While governments do take measures to control or discourage alcohol consumption, such as the imposition of excise taxes, it would be important to evaluate how comprehensive the measures are, how well enforced they are, etc. Salty, fatty, and sugary foods probably have weaker government disincentive measures.

Third, they focused on how, in part, Australia pursued its public health objectives in line with emerging multilateral public health policies, especially FCTC. The panel stated that in part, the strength of Australia’s justifiability claim is that it clearly was adopting TPP measures to give effect to its obligations under FCTC. There is no international convention as yet for control of alcohol consumption, although a Framework Convention on Alcohol Control, similar to the FCTC, has periodically been suggested and the WHO in 2010 released a Global Strategy to Reduce the Harmful Use of Alcohol. No country, therefore, could argue that alcohol packaging legislation gives effect to worldwide convention obligations similar to the FCTC. While the WHO has studied the effects of marketing sugary, fatty, and salty foods, especially on children, like alcohol, there is no sweeping international

347 Australia Trademarks Panel Report, supra note 4, ¶ 7.2604.
348 Id. ¶ 7.2504.
349 Id. ¶ 7.243.
351 See generally WORLD HEALTH ORG., GLOBAL STRATEGY TO REDUCE THE HARMFUL USE OF ALCOHOL (2010) (outlining the global strategy to reduce the harmful use of alcohol endorsed by the World Health Organization in 2010).
352 See generally WORLD HEALTH ORG., MARKETING OF FOODS HIGH IN FAT, SALT AND SUGAR TO CHILDREN: UPDATE 2012-2013 (2013) (providing
convention on this subject, either.

There are other aspects of the inherent nature of tobacco and tobacco control that factor into the comparisons with unhealthy foods and alcohol. Tobacco’s inherent characteristics distinguish it from these other products in some important ways. For example, as Australia claimed in the case, tobacco is a “uniquely hazardous product” because it is “the only lawful consumer product that kills its users when used as intended”\footnote{Australia Trademarks Panel Report, \textit{supra} note 4, ¶ 7.2476.} by the manufacturer, and because “[t]here is no safe level of tobacco use or safe level of exposure to second-hand or environmental tobacco smoke.”\footnote{\textit{Id.} ¶ 7.2576.} The same cannot be said of alcohol or sugary, fatty or salty foods which, if consumed in moderation, are not dangerous to the majority of the population. Also, the addictive properties of these products are a significant factor. Alcohol is addictive, and the extent to which unhealthy foods are addictive will be an important factor.

The marketing, advertising, and promotion of these various products also differs from tobacco in some significant and relevant ways. From a logistical perspective, control on tobacco packaging is much easier and more effective than analogous control measures would be for sugary, fatty or salty foods. Cigarettes are a single product, even though there are classifications for flavored tobacco, etc. This makes it much easier to identify and control the product, its packaging, and its distribution. Sugar, in contrast, comes in many more forms, it can be processed into a huge variety of foods and consequently, packaging measures similar to TPP would be far more difficult to craft and enforce. How, for example, could a country enact a plain packaging-type statute that would cover sugary foods? Would all foods above a certain sugar content level be required to be packaged in drab labelling, devoid of logos and other design trademarks? In Australia, one reason TPP measures were effective is that virtually all other forms of advertising and promotion for tobacco products are prohibited. There would be little incentive to initiate plain packaging measures when there

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\footnote{information on the marketing of food and beverages to children over the course of a decade).}
are several other outlets for advertising, branding and messaging, which would result in limited effectiveness of any such measure.

C. Other implications for tobacco/smoking industry

Tobacco companies are turning their attention to less developed countries as a result of declining smoking rates in more developed countries. Further, Australia’s PIR found a correlation between TPP measures and decreased tobacco use. Therefore, it could be argued that TPP measures have, in part, caused tobacco companies to seek and exploit markets in less developed countries. These countries may have weaker public health systems and infrastructure, insufficient medical care availability, fewer resources to devote to anti-smoking public education campaigns, and other pressing competing policy priorities.

That is not all. The tobacco industry is determined to fight the case: “big tobacco has commissioned research that contradicts the findings of the [Australian PIR] and is funding the Dominican Republic’s legal challenge to plain packaging at the World Trade Organisation.” Individual companies, of course, cannot take a case directly to the WTO. Should they be able to use a country as, essentially, a front for the legal challenge?

355 See Anna Gilmore, Big tobacco targets the young in poor countries – with deadly consequences, GUARDIAN (Dec. 1, 2015, 6:57 PM), https://www.theguardian.com/global-development/2015/dec/01/big-tobacco-industry-targets-young-people-poor-countries-smoking (noting that people in low-income countries observe eighty-one times more tobacco advertisements than those in high-income countries); see also Emily Savell et. al., The Environmental Profile of a Community’s Health: A Cross-Sectional Study on Tobacco Marketing in 16 Countries, WORLD HEALTH ORG. BULL. (2015) (discussing the high frequency of tobacco related advertisements in low-income countries).


357 Jamie Smyth, Australia Hails Plain Packaging on Tobacco, FIN. TIMES (May 4, 2016), https://www.ft.com/content/6248cfee-11e3-11e6-91da-096d89bd2173.
Since Australia’s implementation of TPP measures, several others have followed or are considering similar legislation. Australia, France, the United Kingdom, New Zealand, and Norway were the first five countries to implement plain packaging measures, all by July 2018. As of this writing, Ireland, Thailand, Uruguay, Saudi Arabia, Slovenia, Turkey, Israel, and Canada have also passed and implemented plain packaging legislation. Singapore, Belgium and Hungary have enacted plain packaging legislation that is due to take effect soon.

In conclusion, the drafters of the TRIPS Agreement intended balance “between the existence of a legitimate interest of trademark owners in using their trademarks in the marketplace, and the right of WTO Members to adopt measures for the protection of certain societal interests that may adversely affect such use, including for public health reasons.” The panel was in unqualified agreement with complainants that TPP provisions relating to figurative/stylized elements of trademarks are “far-reaching” and “prevent a trademark owner from extracting economic value from any design features of its trademark.” According to Philip Morris International’s counsel in charge of regulatory policy, PMI “built enormous value around those trademarks in full compliance with the law and with the full blessing of the government . . . Now the government can take away such property without any decent explanation, without looking at the circumstances, without even knowing what they were doing.”

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358 Crawford Moodie et. al., Plain packaging: Legislative Differences in Australia, France, the UK, New Zealand and Norway, and Options for Strengthening Regulations, 28 TOBACCO CONTROL 485, 485 (2019).
360 Id.; see also WHO Report, supra note 8, at 80 (stating that in 2016 Hungary passed legislation requiring plain-packaging of tobacco products); Canada becomes 14th country to adopt plain packaging laws, CANCER COUNCIL VICTORIA (May 2, 2019), https://www.cancervic.org.au/about/media-releases/2019-media-releases/may-2019/canada-becomes-14th-country-to-adopt-plain-packaging-laws.html (listing Hungary as one of several countries to adopt plain packaging).
361 Australia Trademarks Panel Report, supra note 4, ¶ 7.2504.
362 Id. ¶ 7.2557.
363 Id. ¶ 7.2569.
paying.” Clashing with these interests, the WHO asserts that tobacco-related illnesses are some of the biggest public health threats in the history of the world. In this case, the panel found that TPP measures did not unjustifiably encumber trademarks, prioritizing public health over branding. It remains to be seen whether the Appellate Body will agree.

364 Fisher, supra note 319.