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Public Health and Plain Packaging of Tobacco: An Intellectual Property Perspective

Thamara Romero



RESEARCH PAPER

108

PUBLIC HEALTH AND PLAIN PACKAGING OF TOBACCO: AN INTELLECTUAL PROPERTY PERSPECTIVE¹

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SOUTH CENTRE

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¹ For the purpose of this paper, the term “Parties” refers to States and regional economic integration organizations that are Parties of the World Health Organization Framework Convention on Tobacco Control, and “Members” refers to the States signatories of the Marrakesh Agreement Establishing the World Trade Organization.

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ABSTRACT

In 2018, a World Trade Organization (WTO) Panel ruled that plain packaging of tobacco products was consistent with Australia's obligations under the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS) and was in the interest of public health. Plain packaging restricts the use of logos, colours and brand images to reduce the demand for and consumption of tobacco products by diminishing their advertising appeal. This paper discusses the intellectual property aspects triggered by the implementation of plain packaging, examines the best practices for its implementation and provides analysis of Australia's case from the public health perspective. It also highlights the main arguments used in the dispute against Australia and provides practical guidance for WTO Members on implementing measures to protect public health.

En 2018, un Grupo Especial de la Organización Mundial del Comercio (OMC) resolvió que el empaquetado genérico de los productos del tabaco era compatible con las obligaciones de Australia en virtud del Acuerdo sobre los Aspectos de los Derechos de Propiedad Intelectual relacionados con el Comercio (ADPIC) y redundaba en beneficio de la salud pública. El empaquetado genérico restringe la utilización de logotipos, colores e imágenes de marca para reducir la demanda y el consumo de productos del tabaco disminuyendo su atractivo publicitario. En este documento se abordarán los aspectos de propiedad intelectual que se derivan de la aplicación del empaquetado genérico, se examinarán las mejores prácticas para su aplicación y se proporcionará un análisis del caso de Australia desde la perspectiva de la salud pública. También se destacarán los principales argumentos utilizados en la controversia contra Australia y se ofrecerá a los Miembros de la OMC orientación práctica sobre la aplicación de medidas para proteger la salud pública.

En 2018, un groupe spécial de l'Organisation mondiale du commerce (OMC) a décidé que l'utilisation d'emballages neutres pour les produits du tabac était conforme aux obligations de l'Australie au titre de l'accord sur les aspects des droits de propriété intellectuelle qui touchent au commerce (ADPIC) et à l'intérêt général en matière de santé publique. L'emballage neutre permet de réduire l'attrait, et donc la demande et la consommation de produits du tabac, en restreignant l'utilisation des logos, des couleurs et des images de la marque. Ce document examine les aspects de la propriété intellectuelle qui sont en jeu dans le cadre de l'utilisation d'emballages neutres ; il recense les meilleures pratiques dans ce domaine et propose une analyse du cas de l'Australie du point de vue de la santé publique. Il met également en évidence les principaux arguments utilisés dans le différend impliquant l'Australie et fournit des conseils pratiques aux membres de l'OMC sur la mise en œuvre de mesures de protection en matière de santé publique.

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I. INTRODUCTION

Widespread tobacco use began in the 17th century, but it was not until the late 1920s that German scientists first identified the relationship between lung cancer and smoking.² Tobacco use is one of the key risk factors associated with cancer as well as with a long list of non-communicable diseases (NCDs), such as cardiovascular diseases, chronic respiratory diseases and diabetes. These diseases account for 70 per cent of all deaths in the world, with 86 per cent of premature deaths due to NCDs occurring in low- and middle-income countries.³ Tobacco use is implicated in 6 million deaths a year – an average of one person every six seconds – and accounts for 1 in 10 adult deaths worldwide. If continued unchecked, its use is expected to cause 8 million deaths per year by 2030, with 70 per cent of these deaths expected to occur in developing countries.⁴

Since the discovery of the carcinogenic effect of tobacco, there have been numerous initiatives warning people of the dangers of tobacco consumption. At the same time, the spread of tobacco has been facilitated through globalization, which includes trade liberalization and foreign direct investment. There is wide agreement among the international community that marketing, advertising, promotion and sponsorship have contributed to the increase in tobacco use.⁵ However, it was only in 2003 that Members of the World Health Organization (WHO) adopted by consensus the Framework Convention on Tobacco Control (WHO FCTC).⁶

This Convention is the first binding international instrument that seeks to fight tobacco as a cause of chronic NCDs. According to its rules, Parties⁷ will implement effective measures to warn consumers. To prevent tobacco promotion, Parties agreed to ensure that the packaging does not induce its consumption; in other words, it should not falsely create a wrong impression about its characteristics and harmful effects on health.⁸ Subsequently, a series of guidelines were designed to facilitate the implementation of the WHO FCTC.⁹

One of the most effective ways to increase the impact of health warnings recommended by the Guidelines is plain packaging. Plain, also known as standardized, packaging is a measure on the packaging and labelling of tobacco products that seeks to reduce their demand and consumption by diminishing their advertising appeal, as recommended by the guidelines for implementation of Articles 11 and 13 of the WHO FCTC. Indeed, the Guidelines clearly encourage the restriction of the use of logos, colours and brand images. Furthermore, any promotional information and brand and product names should disappear from packaging to reach a standard format.

² See H. Hess, *Geschichte, Geschäfte, Gefahren*, (Frankfurt, Campus Verlag GmbH, 1987), p. 21; R. Proctor, *The Nazi War on Cancer* (Princeton, NJ, Princeton, 1999), pp. 131-132. In 1954 the British epidemiologist Richard Doll published a pioneering study that confirmed for the first time the link between smoking and lung cancer. See R. Doll and B. Hill, "Smoking and Carcinoma of the Lung", *British Medical Journal*, vol. 2, No. 4682 (1950), pp. 739-748.

³ See WHO, "Tobacco", Fact Sheet No. 339, updated June 2016. Available from <http://www.who.int/mediacentre/factsheets/fs339/en/>.

⁴ Resolution World Health Assembly (WHA) 52.18 (24 May 1999).

⁵ See WHO Framework Convention on Tobacco Control, Foreword (2003). Available from https://www.who.int/fctc/text_download/en/.

⁶ World Health Assembly (WHA), Resolution WHA 56.1 of 21 May 2003. The objective of the Convention is to protect present and future generations from the devastating health, social, environmental and economic consequences of tobacco consumption and exposure to smoke.

⁷ For the purpose of this paper, the term "Parties" refers to States and other entities with treaty-making capacity, which have expressed their willingness to be bound by the World Health Organization Framework Convention on Tobacco Control, while "Members" refers to the States signatories of the Marrakesh Agreement Establishing the World Trade Organization.

⁸ Art. 11 of the WHO FCTC.

⁹ Guidelines for Implementation of the Packaging and Labelling Provisions in art. 11.

However, the implementation of plain packaging in domestic legislation reveals implications on intellectual property law, investment law and human rights. Therefore, the reaction of the Parties has not been immediate. In 2008, Uruguay moved in that direction by enacting two regulations which required tobacco products to bear health warnings covering 80 per cent of the surface of the pack.¹⁰

But the first country that accepted the challenge to implement plain packaging in its entirety was Australia in 2011.¹¹ Other WHO FCTC Parties, such as Canada,¹² Ireland,¹³ the United Kingdom of Great Britain and Northern Ireland (UK),¹⁴ Hungary, New Zealand, Norway and France, have passed laws on standardized packaging. In January 2020, and following this example, Uruguay started the implementation of plain packaging measures, whilst other countries like Burkina Faso, Georgia, Romania, Slovenia and Thailand have passed enabling laws. India and Turkey are considering such a move.

In response, the tobacco companies launched a media and lobbying campaign against plain packaging. The industry has also stated publicly that it was helping countries to bring claims against Australia at the WTO.¹⁵ In 2010, a multinational tobacco producer (Philip Morris) launched an investor state dispute settlement proceeding against Uruguay and Australia under the Switzerland-Uruguay and Australia-Hong Kong bilateral investment treaties (BITs), respectively.¹⁶ In the first case, the claim argued that a bilateral investment treaty between Switzerland and Uruguay obliged Uruguay to pay compensation to Philip Morris for damages.¹⁷ Similar arguments have been used in the claim against Australia,¹⁸ whose Tobacco Plain Packaging Act, regulations and associated measures were challenged under the World Trade Organization's Dispute Settlement Understanding (WTO-DSU)¹⁹ for allegedly violating a number of provisions under the Agreement on Trade-Related Aspects of

¹⁰ Ordenanza 514 del 18 de agosto de 2008 del Ministerio de Salud Pública de Uruguay; Decreto del Poder Ejecutivo 287/009 de Uruguay del 15 de junio de 2009 and Ordenanza 466.

¹¹ Australia became the first country in the world to enact a law, the Tobacco Plain Packaging Act 2011, which requires tobacco products to be sold in plain packaging. Tobacco Plain Packaging Act 2011, No. 148, 2011. An Act to discourage the use of tobacco products, and for related purposes. Available from <http://www.comlaw.gov.au/Details/C2011A00148>.

¹² Canada Gazette Part II, Vol. 153, No. 9 of 1 May 2019.

¹³ Ireland enacted the Public Health (Standardised Packaging of Tobacco) Bill 2015 on 10 March 2014. The Bill was implemented in May 2016. From May 2017, only plain packaging was authorized for sale in the Irish market. Ireland was the first EU member state to introduce plain packaging for tobacco products.

¹⁴ <http://uk.reuters.com/article/2015/03/16/uk-britain-cigarettes-packaging-idUKKBN0MC26020150316>

¹⁵ C. Thompson, "Big Tobacco backs Australian law opposers", *Financial Times*, 29 April 2012. Available from <https://www.ft.com/content/314c9446-91fb-11e1-867e-00144feab49a>. See also, T. Voon and A. Mitchell, "Australia's plain tobacco packaging law at the WTO", *The Conversation*, 15 May 2013. Available from <http://theconversation.com/australias-plain-tobacco-packaging-law-at-the-wto-14043>.

¹⁶ "Agreement between the Swiss Confederation and the Oriental Republic of Uruguay concerning the reciprocal promotion and protection of investment of 7 October 1988" and "Agreement between the Government of Hong Kong and the Government of Australia for the promotion and protection of investments, 1748 UNTS 385 of 15 September 1993" respectively.

¹⁷ See FTR Holdings SA (Switzerland), Philip Morris Products SA (Switzerland) and Abal Hermanos SA (Uruguay) v Oriental Republic of Uruguay, Request for Arbitration (ICSID Case No. ARB/10/7, 19 February 2010).

¹⁸ Philip Morris Asia Limited (Hong Kong) v The Commonwealth of Australia, Notice of Arbitration, 21 November 2011.

¹⁹ Ukraine requested WTO dispute consultations with Australia on 13 March 2012 in relation to Australia's measures on plain tobacco packaging (see *Australia – Certain Measures Concerning Trademarks and Other Plain Packaging Requirements Applicable to Tobacco Products and Packaging*, WT/DS434/1, 15 March 2012), followed by Honduras (April 2012, WT/DS435/1), the Dominican Republic (July 2012, WT/DS441/1), Cuba (May 2013, WT/DS458/1) and Indonesia (September 2013, WT/DS467/1). Since the consultations failed to resolve the disputes within the 60-day period prescribed by the DSU, each complainant subsequently requested separate dispute settlement panels. On 28 May 2015, Ukraine dropped the claim and asked the panel to suspend the proceedings. Ukraine affirmed it would try to find a mutually agreed solution with Australia. Until today, Honduras and the Dominican Republic continue the challenge against Australia's tobacco packaging laws, and there is no indication that their litigation would be affected. See <http://www.reuters.com/article/2015/06/03/wto-tobacco-idUSL5N0YP3S420150603>.

Intellectual Property Rights (TRIPS),²⁰ the General Agreement on Tariffs and Trade (GATT),²¹ the Agreement on Technical Barriers to Trade (TBT)²² and relevant provisions under the Paris Convention (as incorporated into TRIPS). The WTO Dispute Settlement Body (WTO-DSB) established panels at the request of five WTO Member Countries²³ and combined all five disputes into one on May 2014. At the same time, the tobacco industry filed legal claims against plain packaging legislations in France, Norway and the UK.

On 28 June 2018, the Panel's decision in the case against Australia was published. It ruled that the complainants had not demonstrated that plain packaging of tobacco products was inconsistent with Australia's obligations under the WTO law. Furthermore, the Panel asserted that the plain packaging measures were in the interest of public health. This decision is currently under appeal. However, the proceedings in this case show the type of arguments used by the tobacco industry against plain packaging using intellectual property law. Such arguments were already unsuccessful in the other cases mentioned above, which were dismissed by other courts. The objective pursued by the tobacco industry was to avoid the adoption of national measures that would prevent its marketing strategy of targeting new consumers, more specifically young people. The pretext is that the packaging violates the industry's intellectual property rights and would facilitate the increase of illicit trade.²⁴

This paper is intended to discuss some intellectual property aspects triggered by the implementation of plain packaging; it highlights the most relevant aspects of the decision taken by the Panel in the WTO case against Australia concerning the interpretation of the TRIPS Agreement and the policy space of WTO members to take measures to protect public health. It is divided into five substantive sections (Parts II-VI) and concluding comments (Part VII). Part II discusses the WHO FCTC Articles 11 and 13 and the respective implementation guidelines from a public health perspective. Part III examines the emerging best practices on the implementation of WHO FCTC Articles 11 and 13 and their respective guidelines, specifically the cases of Canada, Norway, India, and Uruguay. Part IV provides an analysis of Australia's case for plain packaging. Part V outlines the legal options available to the Parties to the WHO FCTC under the TRIPS Agreement. Part VI provides recommendations on how Parties can fully implement requirements under Articles 11 and 13 of the WHO FCTC and related implementation guidelines.

²⁰ Marrakesh Agreement Establishing the World Trade Organization, which entered into force on 1 January 1995.

²¹ General Agreement on Tariffs and Trade, signed 30 October 1947, as incorporated in Marrakesh Agreement Establishing the World Trade Organization, Annex 1A, of 1 January 1995.

²² Marrakesh Agreement Establishing the World Trade Organization, Annex 1A, of 1 January 1995.

²³ The five countries are Ukraine, Honduras, the Dominican Republic, Cuba and Indonesia. Thirty-three WTO Members have reserved their third-party rights: Argentina, Brazil, Canada, Chile, China, Cuba, the Dominican Republic, the European Union, Guatemala, India, Indonesia, Japan, the Republic of Korea, Malawi, Malaysia, Mexico, New Zealand, Nicaragua, Nigeria, Norway, Oman, Panama, the Philippines, Singapore, South Africa, Chinese Taipei, Thailand, Turkey, Ukraine, the United States, Uruguay, Zambia and Zimbabwe.

²⁴ FCTC, Global Progress Report 2018, p. 35.

II. THE WHO FCTC ARTICLES 11 AND 13 AND RESPECTIVE IMPLEMENTATION GUIDELINES: A PUBLIC HEALTH PERSPECTIVE

The WHO FCTC is a set of legally binding provisions to be implemented by Parties at the national, regional and international levels.²⁵ Its requirements are based on years of research regarding the carcinogenic effects of tobacco.²⁶ The parties are encouraged to implement measures that go beyond those required by the WHO FCTC and its protocols, and to impose stricter requirements that are consistent with their provisions and in accordance with international law²⁷ – a key point which will be discussed in section III.

The WHO FCTC provisions should be supplemented by the negotiation of additional protocols and appropriate guidelines for implementation.²⁸ Therefore, the Conference of the Parties of the Convention has adopted guidelines for the implementation of several of its provisions. The Guidelines provide for objectives and recommendations to the Parties. They aim at assisting the Parties in meeting their obligations under the WHO FCTC. Unlike the Convention, the Guidelines are of non-binding nature. Of relevance here are the Guidelines adopted to reduce demand for tobacco products. These are guidelines for the implementation of the provisions of Articles 11 and 13 of the WHO FCTC on the plain packaging of cigarettes: “The packaging and labelling of tobacco products” (art. 11)²⁹ and the “Tobacco advertising, promotion and sponsorship” (art. 13).³⁰

A) Cigarette packaging and its impact on health

The cigarette pack is a key promotional vehicle for reaching potential and current smokers. It targets general and vulnerable consumers including young people, former smokers and smokers of all ages who are trying to quit.³¹ It acts as a reminder, as a portable advertisement that seeks to communicate the personality of a brand to smokers, in order to obtain their identification with the brand as a projection of their own character. Just like other products, such as designer clothing, luxury accessories and cars, cigarette packs often serve to transmit a social message about style and status. Due to the characteristics of their brand image, cigarette packs can be considered as “badge products”.³²

On the other hand, cigarettes themselves are relatively homogenous consumer goods that can be differentiated largely through packaging. Cigarette packaging involves the creation of a brand identity through logos, colours, fonts, pictures, packaging materials, etc., which, for instance, in the case of the Marlboro brand, is estimated to be worth \$27 billion, making it the tenth most valuable brand in the world.³³

²⁵ WHO FCTC, art. 3. It entered into force on 27 February 2005 and has 182 parties as of 5 June 2020.

²⁶ K. Lannan, “The WHO Framework Convention on Tobacco Control: The international Context for Plain Packaging”, in *Public Health and Plain Packaging of Cigarettes: Legal Issues*, T. Voon and others, eds. (Cheltenham, United Kingdom, Edward Elgar, 2011).

²⁷ WHO FCTC, art. 2.

²⁸ The Conference of the Parties is an intergovernmental entity comprising all Parties that serves as the governing body for the WHO FCTC. art. 23 WHO FCTC.

²⁹ WHO Framework Convention on Tobacco Control Conference of the Parties, Guidelines for Implementation of art. 11 of the WHO Framework Convention on Tobacco Control, FCTC/COP3(10) (22 November 2008).

³⁰ WHO Framework Convention on Tobacco Control Conference of the Parties, Guidelines for Implementation of art. 13 of the WHO Framework Convention on Tobacco Control, FCTC/COP3(12) (22 November 2008).

³¹ D. Bettcher and others, “Confronting the Tobacco Epidemic in an Era of Trade Liberalization”, CMH Working Papers Series, WG 4:8 (Geneva, WHO Commission on Macroeconomics and Health, 2001); see also B. Freeman, S. Chapman, and M. Rimmer, *The Case for the Plain Packaging of Tobacco Products. Reports on Industry Activity from Outside UCSF* (Center for Tobacco Control Research and Education, UC San Francisco, 2007).

³² R. Cunningham and K. Kyle, “The Case for Plain Packaging”, *Tobacco Control*, vol. 4, No. 1 (1995).

³³ Freeman and others *supra* note 31, pp. 7-18.

B) The importance of plain packaging

Health warnings and messages on tobacco product packages have been shown to be a cost-effective means to increase public awareness of the risks of tobacco use and to be effective in reducing tobacco consumption.³⁴ Warnings on tobacco products communicate directly with users: a pack-a-day smoker is potentially exposed to these warnings over 7000 times per year.³⁵ In addition, as tobacco packaging is displayed each time the product is used and as products are often left in view of others, there is a high level of exposure to the health warnings among non-smokers as well.³⁶

C) WHO FCTC regulation

The FCTC defines tobacco advertising and promotion as “*any form of commercial communication, recommendation or action with the aim, effect or likely effect of promoting a tobacco product either directly or indirectly*”,³⁷ and tobacco sponsorship as “*any form of contribution to any event, activity or individual with the aim, effect or likely effect of promoting a tobacco product or tobacco use either directly or indirectly*”.³⁸ Article 4 of the Convention states that Parties shall be guided, *inter alia*, by the principle that every person should be informed of the health consequences, addictive nature and mortal threat posed by tobacco consumption and exposure to tobacco smoke. The Parties of the WHO FCTC agreed to take effective measures to regulate the packaging and labelling of tobacco products in their territories and to undertake a comprehensive ban of all tobacco advertising, promotion and sponsorship.

i) Article 11 WHO FCTC and its guidelines

Article 11 of the FCTC requires Parties to adopt and implement effective measures to ensure that the packaging and labelling of tobacco products “*do not promote a tobacco product by any means that are false, misleading, deceptive or likely to create an erroneous impression about its characteristics, health effects, hazards or emissions*”. To that end, tobacco product packaging and labelling must be truthful and must contain health warnings and other appropriate messages. Moreover, Article 11 requires the elimination of the terms “low tar”, “light”, “ultra-light”, or “mild” from each unit packet and package. The health warnings and messages have to be large, clear, visible and legible and should be no less than 30 per cent of the principal display areas.

The Guidelines for implementation of Article 11 further developed this provision by establishing international standards that Parties can use to increase the effectiveness of their packaging and labelling measures. The principal objective is to inform every person of the health consequences, addictive nature and mortal threat posed by tobacco consumption and exposure to tobacco smoke. It states that well-designed health warnings and messages are part of a range of effective measures to communicate health risks and to reduce tobacco use. The evidence demonstrates that the effectiveness of health warnings and messages increases with their prominence.³⁹

³⁴ WHO Framework Convention on Tobacco Control Conference of the Parties, Guidelines for Implementation of art. 11 of the WHO Framework Convention on Tobacco Control, FCTC/COP3(10) (22 November 2008).

³⁵ C. Moodie and others, “Plain Tobacco Packaging: A Systematic Review”, EPPI Report (University of London, 2012).

³⁶ D. Hammond and S. Daniel, “Plain Packaging and Smoking Susceptibility among UK Youth”, in SRNT 17th Annual Meeting, Westin Harbour Castle, Toronto, Ontario, February 16-19, 2011, Symposium, 2A, <http://www.srnt.org/conferences/2011/pdf/2011%20SRNT%20Abstracts%20Web.pdf>, 2011.

³⁷ See art. 1 (c) of the WHO FCTC.

³⁸ See art. 1 (g) of the WHO FCTC.

³⁹ See WHO FCTC, Guidelines for Implementation: art. 11, p. 56.

In order to increase the noticeability and effectiveness of health warnings and messages, the Guidelines require the adoption of plain packaging. Parties are urged “*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)*”.⁴⁰ They define the way the measures have to be implemented, establishing criteria about the location of the warning messages, the size, the use of pictorials, the colour, the rotation, the message context, the language, etc.

The Guidelines for implementation of Article 11 of the WHO FCTC also describe the process for developing effective packaging and labelling requirements, including restrictions and legal measures. It is important to note that the guidelines contain the principle of non-discrimination by recommending the equal application of the measures to all tobacco products sold within the jurisdiction and that no distinction should be made between products that are manufactured domestically or imported or intended for duty-free sale within a Party's jurisdiction. This is of particular importance because it brings the regulation into conformity with WTO law, specifically Article 2 of the TBT Agreement, as explained below.

ii) Article 13 WHO FCTC and its guidelines

Article 13 of the WHO FCTC recognizes that a comprehensive ban on advertising, promotion and sponsorship would reduce the consumption of tobacco products. Therefore, the Parties are required to undertake appropriate legislative, executive, administrative and/or other measures to facilitate such a comprehensive ban, within a period of five years after entry into force of the Convention for that party.

Article 13.4 of the WHO FCTC establishes a minimum level of regulation. In this regard, the Party must prohibit all forms of tobacco advertising, promotion and sponsorship that promote a tobacco product by any means that are false, misleading or deceptive or likely to create an erroneous impression about its characteristics, health effects, hazards or emissions. Article 13.4 of the WHO FCTC restricts the use of direct and indirect incentives that encourage the purchase of tobacco products and requires that health warning messages accompany all kinds of tobacco advertising, promotion or sponsorship.

The guidelines for implementation of Article 13 of the WHO FCTC underline that a broad scope of such a ban on tobacco advertising is a determinant of its level of effectiveness: “*If only certain forms of direct tobacco advertising are prohibited, the tobacco industry inevitably shifts its expenditure to other advertising, promotion and sponsorship strategies, using creative, indirect ways to promote tobacco products and tobacco use, especially among young people.*” The Guidelines are very comprehensive, as they cover new forms of sale and display, not only domestically but at the cross-border level, as well as sales on the Internet.

Any form of tobacco advertising, promotion or sponsorship that is not prohibited is bound to meet the minimum requirements of Article 13.4 of the WHO FCTC. The Parties, however, are encouraged to implement measures that go beyond these obligations.

⁴⁰ WHO Framework Convention on Tobacco Control Conference of the Parties, Guidelines for Implementation of art. 11 of the WHO Framework Convention on Tobacco Control, FCTC/COP3 (10) (22 November 2008).

III. EMERGING BEST PRACTICES IN THE IMPLEMENTATION OF WHO FCTC ARTICLES 11 AND 13 AND THEIR RESPECTIVE GUIDELINES: THE CASES OF CANADA, NORWAY, INDIA, AND URUGUAY

After the Global Progress Report on the Implementation of the WHO Framework Convention on Tobacco Control (2018), a total of 88 per cent of Parties (168 Countries) reported that they had adopted policies requiring tobacco products to carry warnings describing the harmful effects of tobacco use through the adoption of new legislation or amendment of existing legislation. Ninety per cent of the Parties require health warnings to cover 50 per cent or more of the principal display area, and less than half of the Parties require pictures or pictograms.

The Report observes that the average implementation rate for Article 11 is 77 per cent, placing this Article among those with the highest implementation rates, whereas the inclusion of cross-border advertising in the tobacco promotion ban and its enforcement on the internet seem to pose a challenge to many Parties.⁴¹

A fast-growing number of Parties to the FCTC are developing legislation that follows Australia's lead in 2011, which is considered by the FCTC secretariat as the next leading milestone for Article 11. Canada, France, Ireland, Hungary, New Zealand, Norway, Slovenia and the United Kingdom of Great Britain and Northern Ireland have passed or proposed legislation on plain packaging. Others, such as Belgium, Georgia, Lithuania, Mauritius, the Russian Federation, South Africa, Sri Lanka and Uruguay, have expressed their interest in implementing similar measures.

The following subsections will discuss the cases of Canada, Norway, India, and Uruguay as emerging best practice examples of tobacco control. It will make reference to the legal steps those countries have taken to comply with the plain packaging requirement of Article 11 and with the promotion and advertising provisions of Article 13 of WHO FCTC. The case of Australia is addressed in section IV below.

A) The Canadian experience

Canada has been one of the countries leading the development and implementation of innovative labelling requirements for tobacco products and regulating the promotion of tobacco products. The Tobacco Act⁴² and the Non-smokers' Health Act were the primary pieces of tobacco control legislation in Canada until 1 May 2019, the date on which Canada enacted its new plain packaging legislation.

Already in 1994, Canada required cigarette packs to carry warning messages informing the public about the addictive nature of the products as well as the deadly effects of tobacco smoke. And since 1908, it had been illegal to sell cigarettes to those under 16 years of age. Through the years, Canada has shown consistency in the implementation of legislation targeted at reducing tobacco consumption, especially by young people. For instance, the Tobacco Sales to Young Persons Act⁴³ of 1988 required the removal of tobacco vending machines from all public places except bars and taverns.

⁴¹ WHO, Global Progress Report 2018, p. 13.

⁴² Tobacco Act, SC, 1997, c.13. Available from <http://laws.justice.gc.ca/en/T-11.5/index.html>. The Tobacco Act came into force in July 2010. It prohibited the use of specific additives, including flavouring used to enhance the taste in cigarettes, blunt wraps and cigars, and regulated the manufacture, sale, packaging and labelling, and advertising, promotion and sponsorship of tobacco products.

⁴³ Tobacco Sales to Young Persons Act: (An Act prohibiting the sale of tobacco products to persons under the age of eighteen) of 1988. Available from www.publications.gc.ca/site/eng/9.522302/publication.html.

Later on, in 2000, Canada issued the Tobacco Product Information Regulations⁴⁴ and the Tobacco Products Labelling Regulations (Cigarettes and Little Cigars)⁴⁵ to implement the rules related to packaging and labelling.⁴⁶ Canada also adopted in 2004 the Promotion of Tobacco Products and Accessories Regulations (Prohibited Terms)⁴⁷ covering advertising and promotion. The regulations required graphic health warnings to be displayed on tobacco packaging with pictures occupying 75 per cent of the principal display areas. According to this legislation, tobacco products must contain three types of labelling: pictorial health warnings, health information, and either a toxic emissions statement or a toxic constituents statement. Health messages containing information to help people quit smoking were mandatory. Misleading terms and descriptors were already prohibited on tobacco product packaging.

Canadian legislation has a long tradition of banning most forms of tobacco advertising, promotion and sponsorship. The terms “light” or “mild” were prohibited in Canada in 2004. This applied to products, packaging and accessories associated with tobacco. However, advertising at adult-only venues and through direct mail to named adults was not necessarily restricted. Canada did not restrict cross-border advertising. Although promotion through sponsorship is prohibited, financial contributions are allowed.

The Tobacco and Vaping Products Act⁴⁸ of 24 April 2019 regulates the plain and standardized appearance of tobacco products and represents a key milestone in Canada’s Tobacco Strategy, with the purpose to reduce consumption to 5 per cent by 2035. The Canadian Cancer Society considers it as the best tobacco plain packaging in the world because Canada will have the largest surface area in the world for package health warnings. The Regulation also innovates by introducing the strongest ban on slim cigarettes, thus eliminating a type of cigarette that targets women and associates smoking with slimness and fashionability. “Glamorous” 100 mm cigarettes are banned, as well as “stylish” purse packs appealing to young women and girls.

B) The Norwegian tradition

Norway also has a long tradition of banning tobacco advertising.⁴⁹ Immediately after World War II, the country enacted a prohibition of advertising of tobacco products via radio. In 1973, Act No. 14⁵⁰ on the Prevention of the Harmful Effects of Tobacco (Tobacco Control Act) was introduced, seeking to reduce the appealing effect of tobacco products. It covers smoking restrictions, tobacco advertising, and tobacco packaging and labelling.

The tobacco control legislation in Norway has been developed over several decades. Among the most important milestones, the following are noteworthy:

- Act No. 14 amended in 2011;

⁴⁴ The Tobacco Product Information Regulations (SOR/2000-272), entry into force in June 2000.

⁴⁵ Tobacco Products Labelling Regulations (Cigarettes and Little Cigars) (SOR/2011-177), entry into force in September 2011. The Tobacco Products Labelling Regulations replaced the Tobacco Products Information Regulations, in place since 2000, for cigarettes and little cigars.

⁴⁶ Canada Tobacco Act: sects. 15 and 16 (Labelling), sect. 23 (Packaging).

⁴⁷ Promotion of Tobacco Products and Accessories Regulations (Prohibited Terms) (SOR/2011-178), entry into force February 2004.

⁴⁸ See Tobacco and Vaping Products Act, in *Canada Gazette Part II*, Vol. 153, No. 9, SOR/DORS/2019-107, p. 1466. The new legislation implemented plain packaging at the manufacturer level on 9 November 2019, and at the retail level on 7 February 2020.

⁴⁹ K. Bjartveit, “Norway: Ban on Advertising and Promotion”. Available from http://www.who.int/tobacco/training/success_stories/en/best_practices_norway_ban.pdf.

⁵⁰ Act on Protection Against Tobacco (Tobacco Control Act) (9 March 1973, last amended 24 June 2011, in force on 1 January 2012).

- Regulations No. 989 of 15 December 1995 on the prohibition of advertising of tobacco products⁵¹;
- Regulations No. 141 of 6 February 2003 on the contents and labelling of tobacco products⁵²;
- Regulations No. 1044 of 13 October 1989 concerning the prohibition against new tobacco and nicotine products.⁵³

Regarding packaging and labelling of tobacco products, Norway has a comprehensive regulation that contains provisions on text warnings and picture warnings, including for smokeless tobacco products. Misleading descriptors and other symbols suggesting that one tobacco product may be less harmful than another are prohibited.

There is a wide ban on direct and indirect forms of tobacco advertising in Norway that covers all forms of tobacco product marketing in all forms of media. Paragraph 5 of the Tobacco Control Act prohibits the visual display of tobacco products and smoking accessories, as well as imitation products and cards used in vending machines to obtain the products or accessories at points of sale. Only tobacconist shops are exempt from the visual display ban. The Act specifically prohibits advertising related to tobacco sponsorship.

The above-mentioned regulations have been the object of a lawsuit filed by Phillip Morris Norway before the Oslo District Court.⁵⁴ Philip Morris argued that the display ban interfered with the right of free movement of goods of Article 11 of the Agreement on the European Economic Area (EEA, comprising the countries of the European Union plus Iceland, Liechtenstein and Norway). The Norwegian government maintained that the display ban conformed to the EEA and the WHO FCTC Article 13 (2), arguing that it was “substantiated by extensive research” and constituted “an important measure in order to further reduce tobacco use in general and smoking in particular”.⁵⁵

In October 2010, before hearing the case, the Oslo District Court requested an advisory opinion from the European Free Trade Association (EFTA).⁵⁶ On 12 September 2011, the EFTA court decided that the display ban could to a certain extent be seen as blocking the free movement of goods, thus violating EEA rules. However, it was up to Norway’s court “to identify the aims which the legislation at issue is actually intended to pursue and to decide whether the public health objective of reducing tobacco use by the public in general can be achieved by measures less restrictive than a visual display ban on tobacco products.”⁵⁷

In 2014, Norway introduced a prohibition on students using tobacco during school hours and a ban on designated smoking rooms, which also created smoke-free entrance areas outside health care institutions and government agencies. In 2017, the Parliament approved amendments to the national legislation to introduce plain packaging.⁵⁸ The Norwegian Directorate of Health launched a mass media campaign in May 2017 to inform the population about the introduction of this new law. The initiative seeks to increase the support and knowledge of the public about its purpose, notably to protect children and adolescents.

⁵¹ Regulations No. 989 of 15 December 1995 on the prohibition of advertising of tobacco products etc. Entry into force on 1 January 1996.

⁵² Regulations No. 141 of 6 February 2003 on the contents and labelling of tobacco products. Entry into force on 15 December 1995.

⁵³ Regulations No. 1044 of 13 October 1989 concerning the prohibition against new tobacco and nicotine products. Entry into force on 13 October 1989.

⁵⁴ Oslo District Court, Case E-16/10, from March 2010.

⁵⁵ Judgment of the Oslo District Court, Case E-16/10 of 12 September 2011. Available from http://www.tobaccocontrolaws.org/files/live/litigation/639/NO_Philip%20Morris%20Norway%20AS%20v.%20The.pdf.

⁵⁶ See Oslo District Court, Case E-16/10, from March 2010.

⁵⁷ See Judgment of the Oslo District Court, Case E-16/10 of 12 September 2011.

⁵⁸ Standardized Packaging of Tobacco Products Law (2017). Available from <https://tobaccolabels.ca>.

C) Comprehensive regulation on tobacco control in India

The Cigarettes and Other Tobacco Products (Prohibition of Advertisement and Regulation of Trade and Commerce, Production, Supply and Distribution) Act, 2003 (COTPA) is the main law on tobacco regulation in India.⁵⁹ Packaging and labelling provisions are included in several implementing rules enacted following COTPA's passage in 2003.⁶⁰ Health warning labels contain pictures and text, which have to cover 40 per cent of the front panel of the package and must be rotated every 24 months.⁶¹ The use of misleading descriptors (including, among others, "light", "ultra-light" and "low-tar") is prohibited, as well as associated graphics or product design features. There is no requirement for qualitative statements about constituents and emissions. Tobacco advertising, promotion and sponsorship are prohibited through mass media, but tobacco companies are allowed to advertise at the point of sale, subject to some restrictions.

On 1 April 2016, India implemented larger pictorial health warnings that cover 85 per cent of the front and back panels of the tobacco packs. Sixty per cent of the package shall contain warning pictures, and 25 per cent, warning texts.

India showed interest in implementing plain packaging of tobacco products already in 2012. A member of the Parliament, Baijayant Panda, introduced a bill in the Lok Sabha requesting the introduction of plain packaging regulation. Later on, in 2016, the Supreme Court of India issued notice to the Ministry of Health and Family Welfare assessing plain packaging as an improved and effective strategy and therefore suggested that it should be given serious thought by the legislature.⁶² India's legislation could be expected to be amended to allow for the implementation of plain packaging.

D) The integral legislation of Uruguay

Uruguay enacted Law No. 18.256 to regulate tobacco advertising, promotion and sponsorship and packaging and labelling of tobacco products, among other regulatory measures.⁶³ Law 18.256 is the principal law governing tobacco control policies in Uruguay. Uruguayan legislation stipulates that one of six authorized pictures and accompanying text warnings must be displayed on 80 per cent of the two principal display areas of each tobacco product package.⁶⁴ Every package has to contain the following statement: "*This product contains nicotine, tar and carbon monoxide.*" Every brand of tobacco product may have only one form of packaging presentation.

Uruguay's legislation bans all forms of tobacco advertising, promotion and sponsorship by the media. Advertising and display of tobacco products at points of sale are allowed. The complete ban on sponsorship includes a prohibition on donations.

⁵⁹ Cigarettes and Other Tobacco Products (Prohibition of Advertisement and Regulation of Trade and Commerce, Production, Supply and Distribution) Act, 2003 (COTPA), entry into force on 1 May 2004.

⁶⁰ G.S.R. 182(E), Packaging and Labelling Rules of 2008; G.S.R. 693(E), Section 5B(2) Cinematograph Guidelines, 6 December 1991, issued pursuant to Section 5B(2) of the Cinematograph Act of 1952. The Guidelines require the Central Board of Film Certification to ensure that "scenes tending to encourage or glamorize consumption of tobacco or smoking" do not appear in movies; G.S.R. 2814(E) addresses the language(s) in which the health warnings must appear, as of 30 November 2008; G.S.R. 570(E) the Cigarettes and other Tobacco Products (Packaging and Labelling) Amendment Rules, 2011, amends a rule announced in G.S.R. 182(E) regarding the languages in which the health warnings are written and updates the components of the health warning, as of 1 December, 2008. Available from www.tobaccocontrollaws.org.

⁶¹ G.S.R. 182(E), Packaging and Labeling Rules of 2008.

⁶² A. Yadav and others, "Plain Packaging of Tobacco Products: The Logical Next Step for Tobacco Control Policy in India", *BMJ Global Health*, vol. 3 (2018).

⁶³ Ley No. 18.256, Control del Tabaquismo, D.O. 10 mar/008-No. 27442. Entry into force in March 2008.

⁶⁴ Ordinance 466 of 1 of September 2009 and Ordinance 515 of August 2008, Ministry of Public Health of Uruguay.

The case of Uruguay is of special relevance because it represents one of the first cases of a long-standing and aggressive strategy by the tobacco industry to oppose the adoption of measures under Articles 11 and Article 13 of the WHO FCTC at the domestic level.

As mentioned earlier, Philip Morris Products (Switzerland) and petitioner Abad Hermanos filed a request for arbitration against three aspects of Uruguay's tobacco packaging laws⁶⁵:

- The requirement for warnings to cover 80 per cent of the surface of tobacco products' packaging;
- The mandatory use of pictures as health warnings which, in accordance to the claimants, were designed to shock and repulse rather than warn smokers of the effects of tobacco;
- The single presentation requirement, which means that the presentation of a single brand in multiple forms is prohibited, including, but not limited to, tobacco packages using colour coded gradations to falsely imply that one tobacco brand delivers less tar than another brand.

The claimants argued that Uruguay violated the TRIPS Agreement and the obligations under the bilateral investment treaty signed between Switzerland and Uruguay:

- Article 3.1: not to obstruct the management, use, enjoyment, growth or sale of investment through unreasonable or discriminatory measures;
- Article 3.2: to provide fair and equitable treatment for the claimants' investments;
- Article 5.1: to refrain from acts of expropriation except for a public purpose and upon payment of compensation; and
- The umbrella clause, which requires Uruguay to respect commitments it has made with regard to the investments of Swiss nationals.

Philip Morris further alleged that the single presentation requirement constituted an expropriation of Philip Morris' trademarks by prohibiting their use on multiple brands. In September 2011, Uruguay presented its "Memorial on Jurisdictions" at ICSID, arguing that the claimants had not satisfied the mandatory preconditions of ICSID's jurisdiction contained in Article 10 of the Bilateral Agreement.⁶⁶ However, in July 2013, the tribunal decided it had jurisdiction to hear this case. The decision on jurisdiction did not enter into any discussion on the merits of the case. The tribunal invited the parties to prepare substantive arguments on the case. On 8 July 2016, after six years, the tribunal ruled in favour of Uruguay and ordered the plaintiffs to pay the expenses of the defendants and the tribunal.⁶⁷

After the victory against the tobacco industry, Uruguay continued its national policy of reducing tobacco consumption, this time through the amendment of Law No. 18.256 by Law No. 19.723 to require plain packaging of tobacco products. The new legislation came into force in December 2019. A decree was enacted to provide details about the implementation of plain packaging in Uruguay.⁶⁸

⁶⁵ See FTR Holdings SA (Switzerland), Philip Morris Products SA (Switzerland) and Abal Hermanos SA (Uruguay) v Oriental Republic of Uruguay, Request for Arbitration (ICSID Case No. ARB/10/7, 19 February 2010).

⁶⁶ Art. 10 of the BIT establishes a series of preconditions before an investor may have recourse to an international arbitral tribunal: "An investor must (1) raise the treaty dispute (2) make efforts to settle it amicably for at least six months, and (3) pursue litigation of the dispute in domestic court until either a judgment has been entered or 18 months have passed, whichever occurs first" (Uruguay Memorial on Jurisdiction, p. 19).

⁶⁷ ICSID Case No. ARB/10/7. Available from <https://investmentpolicy.unctad.org>.

⁶⁸ Ley No. 19.723 Empaquetado y Etiquetado de Productos de Tabaco, Published D.O. 18 January 2019 – No. 30114.

IV. PUBLIC HEALTH, PLAIN PACKAGING AND THE TRIPS AGREEMENT: IS THERE ANY CONFLICT? THE AUSTRALIAN CASE

Australia, in response to its obligation under Article 11 to implement effective measures with respect to packaging and labelling, and to undertake a comprehensive ban on tobacco advertising, promotion and sponsorship under Article 13, enacted the Tobacco Plain Packaging Act 2011 (henceforth referred to as the Act). By doing so, Australia became the first country in the world to implement a scheme for the complete plain packaging of tobacco products.

Australia's decision to adopt such a scheme was expected given Australia's long tradition of regulating tobacco advertising, coupled with the abundant scientific evidence of the links between the marketing of tobacco products and tobacco's attractiveness to the most vulnerable groups. Scholars pointed out that the regulation of plain packaging in Australia "*is a logical next step in this decades-long process of educating the community about the harms of tobacco use and of regulating tobacco and the tobacco industry*".⁶⁹ The Australian experience of plain packaging has set a precedent in our understanding of the international trademark protection system established under the TRIPS Agreement and represents a milestone in the struggle for the protection of human health.

However, five complaints against Australia at the Dispute Settlement Body (DSB) of the World Trade Organization (WTO) have attempted to inhibit plain packaging. These cases have been filed by Ukraine and a number of developing countries⁷⁰ which are also signatories of the WHO FCTC.

In addition, Phillip Morris Asia Limited (PMA) challenged Australia's plain packaging legislation under the Agreement between the Government of Australia and the Government of Hong Kong for the Promotion and Protection of Investments (Australia-Hong Kong BIT, 1993).

As already mentioned, New Zealand, Norway, Uruguay and Canada, among others, have also introduced similar legislation. Several complaints have been unsuccessfully initiated by the tobacco industry against plain packaging legislation around the world.

The fear of significant economic losses resulting from the widespread implementation of the WHO FCTC is at the root of the controversies. The table below shows the legal challenges introduced since 2012, the date of entry into force of the Australian legislation.

⁶⁹ J. Liberman and others, "Plain Tobacco Packaging in Australia: The Historical and Social Context", in *Public Health and Plain Packaging of Cigarettes*, T. Voon and others, eds. (Cheltenham, UK, Edward Elgar, 2011), p. 40.

⁷⁰ It is important to note that according to WHO's data, developing countries have the highest rates of diseases due to tobacco consumption. See WHO, *The Tobacco Atlas*, first edition (Geneva, 2002). Available from www.who.int. See also World Bank, *Tobacco Control in Developing Countries* (Washington, D.C., 2012). Available from www.worldbank.org. The complaints by developing countries are likely to reflect their concerns about the possible impact of plain packaging measures on the production and export of tobacco products, which are of particular importance for their economies.

Table 1: Legal challenges against plain packaging legislation around the world

Country	Regulation	Challenge	Current status
Australia	Tobacco Plain Packaging Act 2011, No. 148 adopted in 2011. Fully implemented in December 2012.	<p>S389/2011 – British American Tobacco Australasia Limited and Ors v The Commonwealth of Australia (2012) HCAASO 21 (Austl.) (No. s389 of 2011)</p> <p>International Investment Arbitration Claim. Phillip Morris v Australia, Phillip Morris Asia Limited v The Commonwealth of Australia (PCA Case No. 2012-12)</p> <p>WTO – DSB Australia – Certain Measures Concerning Trademarks and Other Plain Packaging Requirements Applicable to Tobacco Products and Packaging, WT/DS434, WT/DS435, WT/DS441, WT/DS458, WT/DS467</p>	<p>Unsuccessful. In 2012, the High Court ruled against the plaintiff.</p> <p>Unsuccessful. In 2017, decided in favour of Australia.</p> <p>Unsuccessful. In 2018, WTO Panel ruled that Australia's Act is in the interest of public health. Currently under appeal.</p>
Ireland (first EU member state to introduce plain packaging for tobacco products)	Public Health (standardized Packaging of Tobacco) Bill 2015. Coming into force in May 2016.	JTI v Minister for Health, Ireland, and the Attorney General 2015/2530P	2016, the claim was struck out.
France	<p>- Plain packaging law passed by the French Parliament in November 2015.</p> <p>- Notification to European Union Member States in May 2015</p>	Société JT International SA, Société d'exploitation industrielle des tabacs et des allumettes, société Philip Morris France SA et	2016, the claim was dismissed.

	- Publication in Official Gazette on 27 January 2016.	autres (Le Conseil d'État, 23 December 2016)	
United Kingdom (the law applies to England, Wales, Scotland and Northern Ireland)	The Standardized Packaging of Tobacco Products Regulations 2015. Passed in March 2016. Entry into force on 20 May 2016.	British American Tobacco (UK) v The Secretary of State for Health [2016] EWHC 1169 (Admin); Court of Justice of the European Union PRESS RELEASE No 48/16 Luxembourg, 4 May 2016 -Judgments in Cases C-358/14 Poland v Parliament and Council C-477/14 Pillbox 38(UK) Limited v Secretary of State for Health and C-547/14 Philip Morris Brands SARL and Others v Secretary of State for Health	Unsuccessful, In 2016 the Court of Justice of the European Union ruled that the UK plain packaging legislation did not violate EU law by restricting free movement of goods and upheld the 2014 EU Tobacco Products Directive.
European Union	2014 Tobacco Products Directive (TPD). Directive 2014/40/EU of the European Parliament and of the Council of 3 April 2014.	Philip Morris Brands Sarl & Others v Secretary of State for Health C-547	Unsuccessful, In 2016 the Court ruled against the plaintiff.
Norway	Standardized Packaging of Tobacco Products Law (2017)	Swedish Match v The Ministry of Health and Care Services: Commercial Court Case No 17-110415TV-OBYF; and Court of Appeal Case No 18-004746ASK-BORG/04	2017, the claim was dismissed. Plain packaging is suitable, appropriate and necessary, and it does not involve any arbitrary discrimination or hidden trade restriction.
Uruguay	Law No. 18.256, Control del Tabaquismo, D.O. mar/008-No. 27442	International Investment Arbitration Dispute Morris Brand Sàrl (Switzerland) & Others v Oriental Republic of Uruguay (ICSID Case No. ARB/10/7)	Dismissed in July 2016.

Some of the arguments articulated by British American Tobacco Australia, Philip Morris Australia and Imperial Tobacco Australia⁷¹ have been used by the complainants along the Dispute Settlement Body of the WTO. The Doha Declaration on the Agreement on Trade Related Aspects of Intellectual Property Rights (TRIPS) and Public Health⁷² and a comprehensive analysis of TRIPS' flexibilities were key elements in this dispute, which clarified the room to manoeuvre that allows WTO Members to protect public health under TRIPS. The panel took into account TRIPS' flexibilities in its interpretation of the relationship between health regulation and intellectual property rights, as discussed in detail below.

A) Australian implementation of the WHO FCTC

Effective 1 December 2012, all tobacco products sold in Australia were required to be in plain packaging. The standardization prohibited the use of trademarks and other marks on tobacco packaging but allowed the use of a brand, business or company name and variant name for the company product (see Box 1).⁷³

Box 1. Tobacco Plain Packaging Act 2011
<p><i>3 Objects of this Act</i></p> <p><i>(1) The objects of this Act are:</i></p> <p><i>(a) to improve public health by:</i></p> <p><i>(i) discouraging people from taking up smoking or using tobacco products; and</i></p> <p><i>(ii) encouraging people to give up smoking, and to stop using tobacco products; and</i></p> <p><i>(iii) discouraging people who have given up smoking, or who have stopped using tobacco products, from relapsing; and</i></p> <p><i>(iv) reducing people's exposure to smoke from tobacco products; and</i></p> <p><i>(b) to give effect to certain obligations that Australia has as a party to the Convention on Tobacco Control.</i></p> <p><i>(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:</i></p> <p><i>(a) reduce the appeal of tobacco products to consumers; and</i></p> <p><i>(b) increase the effectiveness of health warnings on the retail packaging of tobacco products; and</i></p> <p><i>(c) reduce the ability of the retail packaging of tobacco products to mislead consumers about the harmful effects of smoking or using tobacco products.</i></p>

The following Acts and regulations compose the Australian legislation governing tobacco advertising and plain packaging:

⁷¹ Memorandum from Lalive to Philip Morris International Management SA, "Why Plain Packaging is in Violation of WTO Members' International Obligations under TRIPS and the Paris Convention of 23 July 2009"; Report by Daniel Gervais for Japan Tobacco International, "Analysis of the Compatibility of certain Tobacco Product Packaging Rules with the TRIPS Agreement and the Paris Convention of 30 November 2010".

⁷² Hereinafter "the Doha Declaration". Declaration on the TRIPS Agreement and Public Health, Ministerial Conference, Doha, 9-14 November 2001 (WTO Document WT/MIN(01)/DEC/W/2 of 14 November 2011).

⁷³ Tobacco Plain Packaging Act 2011, No. 148 of 2011. S. 20.

- The Tobacco Advertising Prohibition Act of 1992 as amended in 2012⁷⁴ and its regulation⁷⁵;
- The Tobacco Plain Packaging Act 2011 and its regulation⁷⁶; the Trade Marks Amendment (Tobacco Plain Packaging) Act 2011⁷⁷;
- The Competition and Consumer (Tobacco) Information Standard 2011⁷⁸ and its amendments 2012 (No. 1)⁷⁹ and (Rotation of Health Warnings) 2013,⁸⁰ which establish the health warnings and images that must appear on all tobacco product packaging.

Australia intends to achieve its public health objectives mainly through four means⁸¹:

- Discouraging people from initiating smoking or using tobacco products;
- Encouraging people to cease smoking and to stop using tobacco products;
- Discouraging ex-smokers from returning to tobacco and using tobacco products; and
- Reducing the exposure to tobacco smoke.

The result of Australia's measure is a simple package, which contains the name of the brand, business, company or variant name, but only in a prescribed font, size and colour. The packaging will also have to carry graphic health warnings covering 75 per cent of the front and 90 per cent of the back in the case of cigarette packs and cartons or 75 per cent of the front and back in the case of other smoked tobacco products.

B) Arguments used by the tobacco industry against Australia's plain packaging

This section briefly reviews some of the legal arguments that have been advanced against plain packaging laws, with particular emphasis on intellectual property considerations. While these arguments have been expressed in the context of Australia's plain packaging legislation,⁸² analogous observations were made in other cases (see table 1) and could be raised in similar legal actions in the future.

This paper does not intend to analyse exhaustively the different arguments used by the tobacco industry but to show the main lines of argumentation used to attack plain packaging⁸³:

1. Lack of credible evidence to suggest that plain packaging will deliver its public health objective.⁸⁴

⁷⁴ Tobacco Advertising Prohibition Act 1992, C2012C00734, Act No. 218 of 1992 as amended by Act No. 136 of 2012.

⁷⁵ Tobacco Advertising Prohibition Regulations, F1996B00352.

⁷⁶ Tobacco Plain Packaging Regulations 2011, F2011L02644.

⁷⁷ Trade Marks Amendment (Tobacco Plain Packaging) Act 2011, C2011A00149.

⁷⁸ Competition and Consumer (Tobacco) Information Standard 2011, F2011L02766.

⁷⁹ Competition and Consumer (Tobacco) Amendment Information Standard 2012 (No. 1), F2012L02145.

⁸⁰ Competition and Consumer (Tobacco) Amendment (Rotation of Health Warnings) Information Standard 2013, F2013L01427.

⁸¹ Tobacco Plain Packaging Act 2011, No. 148 of 2011, sect. 3(1).

⁸² For instance, PMA argued that tobacco plain packaging was giving rise to an acquisition of trademarks by the Government in violation of the Australian Constitution. According to this argument, trademark rights are property rights, and the Act deprives the tobacco companies of the exercise and enjoyment of those rights, resulting in an acquisition of property within the meaning of section 51 (xxxi). Because the Act does not grant compensation in "just terms", it has to be considered constitutionally invalid. In response to this claim, the High Court of Australia decided in August 2012 that the tobacco plain packaging legislation was not an "acquisition" under section 51 (xxxi) of the Australian Constitution. See High Court of Australia, *JT International SA and British American Tobacco Australasia Limited v Commonwealth of Australia*, Decision of 15 August 2012. Available from <http://www.hcourt.gov.au/assets/publications/judgment-summaries/2012/projt-2012-08-15.pdf>.

⁸³ For a comprehensive discussion of the arguments of the tobacco industry, see T. Voon and A. Mitchell, *Public Health and Plain Packaging of Cigarettes: Legal Issues* (Cheltenham, UK, Edward Elgar, 2011), pp. 106-132.

2. Plain packaging will not reduce tobacco use but instead will increase consumption as a result of lower prices arising from the uniformity of all tobacco products.⁸⁵
3. Plain packaging will result in increased illicit trade by facilitating falsification and smuggling of products.⁸⁶
4. Plain packaging results in an illegal appropriation of trademarks by Government in violation of the Australian Constitution, section 51 (xxxi). The British America Tobacco Group and JT International challenged the validity of the Act on these grounds. The claimants argued that trademark rights are property rights and that the Act deprived the tobacco companies of the exercise and enjoyment of those rights, resulting in an acquisition of property within the meaning of section 51 (xxxi). Because the Act did not grant compensation in “just terms”, it had to be considered invalid. It is important to note that the Act in section 15(1) provides that it does not apply to the extent that its operation would result in an acquisition of property from a person other than on just terms.⁸⁷ In August 2012, the High Court of Australia decided against the tobacco companies based on the following grounds, among others: the plain packaging legislation was not an “acquisition” under section 51 (xxxi) of the Australian Constitution, and even if the Act does “take” property, none is acquired.⁸⁸
5. The Act violates Australia’s obligations under international investment agreements because of its effect on tobacco industry intellectual property rights. Consequently, it will result in the payment by Australian taxpayers to the tobacco industry of billions of dollars in compensation and is a manifestation of the inexorable rise of the nanny state.⁸⁹
6. The measure is not compliant with the TRIPS Agreement, in particular Article 20, which provides that the use of a trademark in the course of trade shall not be unjustifiably encumbered by special requirements.⁹⁰ This argument will be discussed below.
7. The WHO Framework Convention is an indicative and non-binding⁹¹ international instrument. The supporters of this thesis sustained that there exists no obligation by Australia to comply with Articles 11 and 13 of the WHO FCTC and their guidelines because it is non-binding. However, others argue that while the FCTC is binding, the Guidelines for the Implementation of the Packaging and Labelling Provisions in Articles 11 and 13 of the WHO FCTC are not, and therefore, Australia is not obliged to implement tobacco plain packaging in order to comply with its obligations under Article 11 and 13 of the FCTC.

⁸⁴ British American Tobacco Company’s director Mr. Kingsley Wheaton. Available from http://www.batsa.co.za/group/sites/UK_9D9KCY.nsf/vwPagesWebLive/DO953GE8.

⁸⁵ Statement made by the Dominican Republic in the WTO Council on Trade-Related Aspects of Intellectual Property Rights (TRIPS) met from 5-6 March 2013.

⁸⁶ Ibid.

⁸⁷ S. Evans and J. Bosland, “Plain Packaging of Cigarettes and Constitutional Property Rights”, in *Public Health and Plain Packaging of Cigarettes: Legal Issues*, T. Voon and others, eds. (Cheltenham, UK, Edward Elgar, 2011), p. 46.

⁸⁸ High Court of Australia, JT International SA and British American Tobacco Australasia Limited v Commonwealth of Australia, Decision of 15 August 2012. Available from <http://www.hcourt.gov.au/assets/publications/judgment-summaries/2012/projt-2012-08-15.pdf>.

⁸⁹ J. Liberman and others, “Plain Tobacco Packaging in Australia: The Historical and Social Context”, in *Public Health and Plain Packaging of Cigarettes: Legal Issues*, T. Voon and others, eds. (Cheltenham, UK, Edward Elgar, 2011), pp. 40 – 41.

⁹⁰ This argument was made at the TRIPS Council Meeting of 7 June 2011. The Dominican Republic objected to Australia’s plain packaging scheme on the basis that the scheme would be inconsistent with Australia’s obligations under the Paris Convention and the TRIPS Agreement, including art. 20 of the TRIPS Agreement. Honduras, Nicaragua, Ukraine, the Philippines, Zambia, Mexico, Cuba and Ecuador supported the Dominican Republic. In contrast, New Zealand, Uruguay and Norway supported Australia’s legislation.

⁹¹ At the DSB meeting of 28 September 2012, during Ukraine’s request for establishment of a panel on Australia’s measures on plain packaging of tobacco products, Honduras stated that the WHO Framework Convention is indicative and non-binding. Available from http://www.wto.org/english/news_e/news12_e/dsb_28sep12_e.htm

Regarding the intellectual property claims made in relation to the TRIPS Agreement, the complainants alleged that Australia's measures were inconsistent with a number of obligations, which fall under the following broad categories:

- In relation to trademarks:
 - Failing to protect trademarks and to give effect to the rights of trademark holders as required under TRIPS Articles 1.1, 2.1, (specifically, Articles 6 quinquies, 7 and 10 bis of the Paris Convention as incorporated in TRIPS), 13 (National Treatment), 15 and 16;
 - Unjustifiably encumbering the use of trademarks in the course of trade in violation of Article 20 of TRIPS;
- In relation to the protection of geographical indications (Honduras, Dominican Republic, Cuba and Indonesia only):
 - Diminishing Australia's level of protection for geographical indications below the level that existed prior to 1 January 1995 in violation of TRIPS Article 24.3; and
 - Not providing effective protection against acts of unfair competition with respect to geographical indications in violation of TRIPS Article 22.2 (b).

A number of claims were also made in relation to Article 2.2 of the Technical Barriers to Trade (TBT) Agreement. The panel found that the complainants had not demonstrated that Australia's TPP measures were inconsistent with that Agreement on the basis that they were more trade-restrictive than necessary to achieve a legitimate objective. Regarding the provisions contained in the TRIPS Agreement, the panel ruled that the inconsistency with Article 6 quinquies of the Paris Convention (1967), as incorporated into the TRIPS Agreement by Article 2.1 thereof, was not sufficiently demonstrated. The complainants also failed to demonstrate that the nature of the goods to which the TPP measures apply (i.e. "tobacco products") forms an obstacle to the registration of trademarks.

The panel concluded that the complainants failed to demonstrate the following about the plain packaging measures:

- they stop the owner of registered tobacco trademarks from preventing unauthorized use of identical or similar tobacco trademarks on identical or similar products where such use would result in a likelihood of confusion;
- they prevent tobacco trademarks from acquiring "well-known" status and prevent already "well-known" trademarks from maintaining that status;
- they unjustifiably encumber the use of tobacco trademarks in the course of trade;
- they compel market actors to engage in prohibited acts of unfair competition, and Australia fails to provide effective protection against acts of unfair competition.

For the purposes of this paper, the discussion will focus only on the arguments related to trademarks.

C) Interpretation of the legal arguments used in the dispute in light of the objective and purpose of the TRIPS Agreement

i) TRIPS Articles 1.1, 15.1 and 15.4 on trademark registration

Plain packaging opponents argued that Australian legislation did not comply with the requirements contained in Articles 1.1 (nature and scope of obligations), 15.1 (protectable subject matter) and 15.4 (registration), as such legislation could prevent registration and

have an impact on the use of tobacco trademarks.⁹² The complainants argued that this would allegedly amount to non-compliance with the obligation to protect trademarks.

At the outset, it is important to understand the meaning of Article 1.1 of TRIPS. The TRIPS Agreement does not impose an obligation to adopt harmonized national laws⁹³ to protect intellectual property rights. The purpose of the TRIPS Agreement is to obligate members to provide for minimum standards of intellectual property protection in their national legislation⁹⁴ in order to bring the multilateral and the national level of regulation into consistency. Article 1.1 also provides for flexibility to enhance the policy space, as it explicitly says that Members “are not required to implement in their law more extensive protection than is required” by TRIPS.

Moreover, Article 1.1 of TRIPS guarantees the inherent freedom of every WTO member to determine within their own legal system and practice the “*appropriate method of implementing*” the TRIPS provisions.

Another argument against tobacco plain packaging was that it “*fails to accord effective ‘protection’ of the trademark ‘as is’, discriminates against tobacco-related trademarks based on the nature of the product, and fails to prevent acts of such a nature as to create confusion by any means*”.⁹⁵ In doing so, the measure would contravene Article 2.1 of the TRIPS Agreement and Articles 6 quinquies, 7, and 10 bis of the Paris Convention.

Article 2.1 of the TRIPS Agreement provides that WTO Members shall comply with the substantive provisions of the Paris Convention for the Protection of Industrial Property (1967), i.e. Articles 1 through 12 and 19 of the Paris Convention.⁹⁶ Whereas Article 6 quinquies states that every trademark duly registered in the country of origin shall be accepted for filing and protected “as is”, it also stipulates that the only three possibilities to deny registration are

1. When it is of such a nature as to infringe rights acquired by third parties in the country where protection is claimed;
2. When it is devoid of any distinctive character;
3. When it is contrary to morality or public order and, in particular, of such a nature as to deceive the public.

On the other hand, Article 15.4 of the TRIPS agreement reads as follows:

⁹² The claim made by Ukraine against Australia was as follows: “Article 15.4 of the TRIPS Agreement because the measures effectively prevent registration and protection of tobacco-related trademarks based on the nature of the product; (3) Articles 1.1 and 15.4 of the TRIPS Agreement because, to the extent that Australia has implemented more extensive protection than is required by the TRIPS Agreement, it has done so in a manner that contravenes Article 15.4 of the TRIPS Agreement by denying trademark right holders of tobacco related trademarks the same right to the exclusive use of the trademark that is recognized for all other trademark right holders under Australian trade mark law based on the nature of the product”. See *Australia – Certain Measures Concerning Trademarks and Other Plain Packaging Requirements Applicable to Tobacco Products and Packaging*, WT/DS434/1, 15 March 2012.

⁹³ A. Otten and H. Wagner, “Compliance with TRIPS: The Emerging World View”, in *The International Intellectual Property System: Commentary and Materials*, Part One, F. Abbot, T. Cottier and F. Gurry, eds. (Alphen aan den Rijn, Netherlands, Wolters Kluwer, 1999), p. 697.

⁹⁴ UNCTAD, *Using Intellectual Property Rights to Stimulate Pharmaceutical Production in Developing Countries: A Reference Guide* (Geneva, 2011), p. 30.

⁹⁵ *Australia – Certain Measures Concerning Trademarks and Other Plain Packaging Requirements Applicable to Tobacco Products and Packaging*, WT/DS434/1, 15 March 2012.

⁹⁶ Paris Convention for the Protection of Industrial Property, opened for signature 14 July 1967, 828 UNTS 306, entered into force 26 April 1970. The Paris Convention is administered by the World Intellectual Property Organization and entered into force on 26 April 1970.

“The nature of the goods or services to which a trademark is to be applied shall in no case form an obstacle to registration of the trademark”.

The argument that Australia’s plain packaging legislation has an impact on registration of a trademark and its use is a consequence of a misunderstanding, which conflates registration with the use of a trademark by incorrectly linking Articles 15.4 and 16.1 of TRIPS. Once it is determined that the sign⁹⁷ or combination of signs is distinctive⁹⁸ and therefore protectable subject matter, its registration will be possible.⁹⁹ Article 15.4, which reproduces Article 7 of the Paris Convention for the Protection of Industrial Property, prohibits the discrimination of different kinds of goods or services based on their nature for the purpose of registration. On the other hand, Article 16, as discussed below, provides a right to prevent third parties from using a registered trademark but does not provide a right to use.

A preliminary look at the Australian tobacco plain packaging legislation shows that, in general, it contains adequate protection of already registered trademarks from removal and does not prevent registration of new trademarks. Indeed, Section 28 of the Act assures that the operation of the Tobacco Plain Packaging Act will not affect trademark owners’ ability to register and maintain the registration of their trademarks. Moreover, Section 28 seeks to preserve a trademark owner’s ability to protect a trademark.¹⁰⁰

However, opponents to plain packaging based their arguments on the hypothesis that the use of a trademark was linked to its registration and that registration without use would be an economically meaningless formal right. *“Australia has implemented more extensive protection than is required by the TRIPS Agreement, [and] it has done so in a manner that contravenes Article 15.4 of the TRIPS Agreement by denying trademark right holders of tobacco related trademarks the same right to the exclusive use of the trademark that is recognized for all other trademark right holders under Australian trade mark law based on the nature of the product”.*¹⁰¹

This argument confuses two concepts that are different and autonomous: “registration” and “use” of trademarks.¹⁰² Registration in this context refers to the act of making an official

⁹⁷ Art. 15.1: “Any sign, or any combination of signs, capable of distinguishing the goods or services of one undertaking from those of other undertakings, shall be capable of constituting a trademark. Such signs, in particular words including personal names, letters, numerals, figurative elements and combinations of colours as well as any combination of such signs, shall be eligible for registration as trademarks. Where signs are not inherently capable of distinguishing the relevant goods or services, Members may make registrability depend on distinctiveness acquired through use. Members may require, as a condition of registration, that signs be visually perceptible.”

⁹⁸ “Distinctiveness is the key to both registrability of a trademark and to the very existence of a trademark. TRIPS provides that a sign that is not distinctive is not a trademark”. M. Davison, “The Legitimacy of Plain Packaging under International Intellectual Property Law: Why There Is No Right to Use a Trademark under Either the Paris Convention or the TRIPS Agreement”, in *Public Health and Plain Packaging of Cigarettes: Legal Issues*, T. Voon and others, eds. (Cheltenham, UK, Edward Elgar, 2011), p. 93.

⁹⁹ In “civil law” countries, trademark rights are normally granted on the basis of registration by a competent trademark office. On the other hand, in many “common law” countries, trademark rights may be acquired by use in commerce without the need for registration. See F. Abbott, T. Cottier and F. Gurry, *International Intellectual Property in an Integrated World Economy* (Alphen aan den Rijn, Netherlands, Wolters Kluwer, 2007), p. 259.

¹⁰⁰ See relevant explanation for this provision in the Explanatory Memorandum, Tobacco Plain Packaging Bill 2011, Parliament of Australia, at 15. The Explanatory Memorandum illustrates the purpose of this provision: “For example, a tobacco manufacturer that applies for the registration of a trade mark in respect of tobacco products is taken to intend to use the trade mark in Australia, if it would use it on the products or retail packaging, but for the operation of the Bill. Similarly, if someone applies for removal of a trade mark from the register, alleging that the trade mark has not been used, this allegation will be rebutted by evidence that the registered owner would have used the trade mark, but for the operation of the Bill”.

¹⁰¹ See *Australia – Certain Measures Concerning Trademarks and Other Plain Packaging Requirements Applicable to Tobacco Products and Packaging*, WT/DS434/1, 15 March 2012.

¹⁰² A. Alemanno and E. Bonadio, “Do You Mind My Smoking? Plain Packaging of Cigarettes under the TRIPS Agreement”, *The John Marshall Review of Intellectual Property Law*, vol. 10, No. 459 (2011), p. 468; Davison

record of the mark that can't be refused merely because the trademark identifies tobacco products.¹⁰³ However, as explained below, registration does not automatically confer a right to use a trademark, and no right to use can be inferred from Article 15.4.¹⁰⁴

The purpose of Article 15.4 of the TRIPS Agreement is to prevent discrimination on the basis of the nature of the relevant product in respect of trademark registration.¹⁰⁵ However, according to Article 6 quinquies of the Paris Convention, nothing prevents a WTO Member from limiting, prohibiting or denying the registration of trademarks for the commercialization of goods in order to protect public health, for instance, in the case that a trademark is of a nature that deceives the public.¹⁰⁶

According to this interpretation of Article 6 quinquies, a WTO Member may deny the registration of a misleading trademark containing terms such as "light" or "mild" that suggest that a tobacco product may be less harmful than other products.¹⁰⁷ Furthermore, a WTO Member might argue that the promotion of the mark used on cigarettes has adverse consequences for the public because the mark itself encourages a type of behaviour (notably smoking) that causes serious injury to health (and the behaviour is not limited to the products of an enterprise in particular).¹⁰⁸ Certainly, the Plain Packaging Act's objective of protecting children and young people from the harmful effects of tobacco products falls into the category of justified measures.

This was confirmed by the interpretation provided by the WTO Panel in its report. The Panel noted that "*The obligation in the first sub-clause of Article 6 quinquies A(1) is 'subject to the reservations indicated in this Article'. Article 6 quinquies B provides various grounds on which a trademark covered by that Article can be 'denied registration' or 'invalidated'.*"¹⁰⁹

The Panel also asserted that "*the object and purpose of Articles 6 and 6 quinquies A(1) of the Paris Convention (1967) is to provide, and thus secure, two ways of obtaining registration of a trademark in a country of the Paris Union*"¹¹⁰ "We do not find any support in the language of Article 6 quinquies A(1) for a substantive minimum standard of rights that WTO Members would be obliged to make available to the owner of a trademark that has been registered pursuant to the requirements of Article 6 quinquies A(1)."¹¹¹

Regarding Article 15 of the TRIPS Agreement, the Panel recalled the description made by the Appellate Body in the case US – Section 211 Appropriations Act:

This Article describes which trademarks are "capable of" registration. It does not say that all trademarks that are capable of registration "shall be registered". This Article states that such signs or combinations of signs "shall be eligible for registration" as trademarks. It does not say that they "shall be registered". To us, these are distinctions with a difference. And, as we have said, supporting these distinctions is

supra note 98, p. 88; A. Mitchell, Australia's Move to the Plain Packaging of Cigarettes and Its WTO Compatibility, *Asian Journal of WTO and International Health Law and Policy*, vol. 5 (2010), pp. 405, 416.

¹⁰³ Panel report, *Australia – Tobacco Plain Packaging*, para 7.1834; 7.1894 and 7.1896.

¹⁰⁴ See Correa C., Is a right to use trademarks mandated by the TRIPS Agreement? In, South Centre Research Paper 72, p. 5.

¹⁰⁵ It is a matter of fact that registration alone is a subject of economic value, even if the trademark is not being used. There can be multiple reasons for the non-use of a trademark, from simple market strategy to the exception contained in art. 17 TRIPS.

¹⁰⁶ C. Correa, *Trade Related Aspects of Intellectual Property Rights: A Commentary on the TRIPS Agreement* (Oxford University Press, 2007), p. 182.

¹⁰⁷ World Health Organization, *Confronting the Tobacco Epidemic in a New Era of Trade and Investment Liberalization* (Geneva, 2012), p. 37. (WHO – Confronting the Tobacco Epidemic).

¹⁰⁸ See also Abbott, Cottier and Gurry *supra* note 99, p. 310.

¹⁰⁹ Panel report, *Australia – Tobacco Plain Packaging*, para. 7.1766.

¹¹⁰ *Ibid.*, para. 7.1768.

¹¹¹ *Ibid.*, para. 7.1765.

*the fact that the title of this Article speaks of subject matter as “protectable”, and not of a subject matter “to be protected”.*¹¹²

The Panel concluded that the plain packaging measures, in operating to prevent the registration of certain non-inherently distinctive signs that have not yet acquired distinctiveness through use on tobacco products, do not violate the obligation in Article 15.4.¹¹³ The Panel found that the claimants did not demonstrate that the plain packaging measures were inconsistent with Australia’s obligations under Article 15 of the TRIPS Agreement.

ii) Article 16.1 and the exclusive right of trademark owners

It has been argued that tobacco plain packaging is inconsistent with Article 16.1 of TRIPS because it renders it ineffective *“the exclusive right of trademark owners to use signs and to prevent third parties from using similar signs, given that the distinctive character of the trademark cannot be maintained without using the trademark”*.¹¹⁴

However, the rights conferred by Article 16 of TRIPS are, as noted, negative rights,¹¹⁵ that is, rights to exclude, rather than to use: Article 16.1 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.

One cannot even assume *arguendo* that the Paris Convention or the TRIPS Agreement confers an implied right to use the trademark, because in this case the Members as legislators would have had to define the nature and scope of this implied right to use the trademark.¹¹⁶ As such definition does not exist, the idea of an implied right cannot be supported.

Professor Carlos Correa comments on this issue that *“This is clearly a negative right. There is no reasonable way in which this provision could be read as obligating Members to guarantee a positive right to use a trademark”*.¹¹⁷

Indeed, according to the wording of Article 16.1, the primary right conferred by registration of a trademark is the right to prevent third parties from using a registered trademark without authorization, and not the right to use the trademark. This is only a right to exclude others.

¹¹² Appellate Body Report, US – Section 211 Appropriations Act, para. 155, in Panel Report, *Australia – Tobacco Plain Packaging*, para. 7.1839.

¹¹³ Panel Report, *Australia – Tobacco Plain Packaging*, para. 7.1874.

¹¹⁴ See *Australia – Certain Measures Concerning Trademarks and Other Plain Packaging Requirements Applicable to Tobacco Products and Packaging*, WT/DS434/1, 15 March 2012.

¹¹⁵ Correa *supra* note 106, p. 182; Voon and Mitchell *supra* note 83, p. 113.

¹¹⁶ Davison *supra* note 98, pp. 88-89. According to the Explanatory Memorandum of the Tobacco Plain Packaging Bill 2011, 2010-2011, the Bill in clause 28 preserves a trademark owner’s ability to protect a trademark and to register and maintain registration of a trademark.

¹¹⁷ See C. Correa, “Is a Right to Use Trademarks Mandated by the TRIPS Agreement?”, South Centre Research Paper, No. 72 (Geneva, 2016). Available from https://www.southcentre.int/wp-content/uploads/2016/11/RP72_Is-the-Right-to-Use-Trademarks-Mandated-by-the-TRIPS-Agreement_EN.pdf. Davison clarifies this point by commenting that there is a legitimate question as to whether there is any point in registering trademarks if their use is prohibited. However, there are numerous examples of situations in which registration without a right of use would make perfect sense. Davison *supra* note 98, p. 70.

The trademark's owners have no automatic right to market the goods or services to which a trademark may be applied.¹¹⁸

This interpretation is confirmed by Article 20 of TRIPS, which provides that where governments choose to encumber the use of trademark in the course of trade, it must not be "unjustifiable". If the drafters of the TRIPS Agreement had intended to include the use of trademarks within the "rights conferred" under Article 16, the limitation of such right could have been provided to delineate the exact scope of trademark protection. A systematic interpretation of Articles 16 and 20 of TRIPS therefore suggests that Article 16 does not establish a "right to use" a trademark under the TRIPS Agreement.

As noted by Correa,

*if by hypothesis, there were any ambiguity in respect of whether the right to use a trademark is required under the TRIPS Agreement, the issue should be addressed under the international law principle of in dubio mitius. In case of ambiguity, a treaty must be understood in a way that imposes the minimum of obligations on the parties to the treaty. Any ambiguity must be resolved in the manner that is less onerous for the State parties and which allows them to retain their regulatory power.*¹¹⁹

In reference to the States, their regulatory power cannot be constrained by an "implicit" right to use a trademark.

The WTO Panel in the case *European Communities – Protection of Trademarks and Geographical Indications for Agricultural Products and Foodstuffs*¹²⁰ stated that the 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". Moreover, in reference to the right conferred under Article 16.1 of TRIPS, the Panel asserted, it "belongs to the owner of the registered trademark alone, who may exercise it to prevent certain uses by 'all third parties' not having the owner's consent". Furthermore, the panel affirmed that "even if the TRIPS Agreement does not expressly provide for a 'right to use a trademark' ..." "[t]he right to use a trademark is a right that Members may provide under national law".

Indeed, although the Members are not obliged to do so, they have the right to apply and incorporate higher and more extensive levels of intellectual property protection as long as they apply the general principles of most favoured nation (MFN) and national treatment. In the case of trademarks, Members can go beyond the negative right to exclude, providing a positive right to use the trademark in their domestic legislation, which would constitute an example of a "TRIPS-plus" provision.¹²¹ In such a case, the Member is deliberately and

¹¹⁸ Davison *supra* note 98, pp. 81-84, further develops the argument used by the complainant, saying, "Given the absence of an express right to use a trademark in the Paris Convention, the right can only be an implied one. The argument for that implication seems to be based on the existence of strict obligations to register some trademarks in some circumstances and the alleged futility or requiring registration without also requiring use" and "The real difficulties of adopting a view that there is an implied right to use a trademark under the Paris Convention are revealed by assuming the correctness of the position and considering its consequences. If there is an implied right to use trademarks, what precisely, is the nature and extent of that right? Are there exceptions to the right to use?"

¹¹⁹ Correa *supra* note 117, p. 9.

¹²⁰ *European Communities – Protection of Trademarks and Geographical Indications for Agricultural Products and Foodstuffs, Complaint by Australia*, WT/DS290/R, 2005, 7.601.

¹²¹ There is no definition of "TRIPS-plus" provisions. It may be interpreted and achieved in several ways. Accordingly, if a country implements more extensive levels and standards of intellectual property protection than those required under TRIPS, or undertakes the elimination of an option which was awarded to it under the agreement, it may be said that this country is implementing a TRIPS-plus regime. TRIPS-plus may also mean that countries interpret TRIPS in a narrower sense, thus ensuring the compliance of these countries in

voluntarily exceeding the minimum standard of protection required by TRIPS, with the result of limiting its power to adopt measures of their choice to respond to national concerns. The TRIPS Agreement generally frames trademark as negative rights precisely to allow Members to pursue legitimate non-IP-related public policies such as promoting public health.¹²² This issue of “TRIPS-plus” provisions in national legislation will be discussed in more detail in section IV (A) below.

Finally, in its Report on the Tobacco Plain Packaging case, the Panel confirmed the above by saying,

*In light of the ordinary meaning of the text and consistently with prior rulings we agree with the parties that Article 16.1 does not establish a trademark owner's right to use its registered trademark. Rather, Article 16.1 only provides for a registered trademark owner's right to prevent certain activities by unauthorized third parties under the conditions set out in the first sentence of Article 16.1.*¹²³

iii) Article 20 of the TRIPS Agreement: Tobacco plain packaging as a justifiable measure to protect human health

Before we can consider the legal arguments related to the assertion of unjustifiable encumbrance in the use of trademarks, it is necessary to make some observations about the object and purpose of the TRIPS Agreement. This is relevant in the plain packaging context because the object and purpose, as well as the terms of the treaty in their context, provide important elements for interpretation of the ordinary meaning of the provisions of the Agreement.¹²⁴

Articles 7 and 8 of TRIPS establish the objectives and principles of the Agreement. They provide that the protection of intellectual property rights should contribute to the dissemination of technology to the mutual advantage of producers and users of technological knowledge, and in a manner conducive to social and economic welfare. Thus, the overall objective of intellectual property protection includes a social goal, i.e. social and economic welfare. Consequently, public policy goals, such as public health, should be taken into account in domestic intellectual property laws. This also follows from Article 8.1 of TRIPS, which recognizes that WTO Members may adopt measures necessary to protect public health, provided that those measures comply with the terms of TRIPS.

Article 8 of TRIPS should not be read to support an exception to the provisions of the Agreement; rather, Article 8 establishes a principle to be used in interpreting the substantive provisions of TRIPS, e.g. Article 20. On the other hand, the Doha Declaration on TRIPS and Public Health is also relevant in interpreting the TRIPS Agreement. The Doha Declaration is a Ministerial decision adopted by consensus by all Members on 14 November 2001. It may be interpreted as a “decision” by the Members under Article IX.1 of the WTO Agreement.¹²⁵

accordance with this agreement with the highest and utmost levels of efficiency. See M. El Said, *Public Health Related TRIPS-plus Provisions in Bilateral Trade Agreements* (Geneva, WHO-ICTSD, 2010), p. 94.

¹²² Voon and Mitchell *supra* note 83, p. 116.

¹²³ Panel report, *Australia – Tobacco Plain Packaging*, para. 7.1978.

¹²⁴ Art. 31 (1) of the Vienna Convention on the law of treaties. Opened for signature 23 May 1969, 1155 UNTS 331 (entered into force 27 January 1980). For further explanation about the objectives and principles of TRIPS, see UNCTAD-ICTSD, *Resource Book on TRIPS and Development* (Geneva, 2005), p. 118; see also H. Hestermeyer, *Human Rights and the WTO: The Case of Patents and Access to Medicines* (Oxford University Press, 2007), p. 50.

¹²⁵ UNCTAD-ICTSD, *Resource Book on TRIPS and Development*, (Geneva, 2005), p. 131. See also F. Abbott, “The Doha Declaration on the TRIPS Agreement and Public Health: Lighting a Dark Corner at the WTO”, *Journal of International Economic Law*, vol. 5, No. 2 (2002), p. 491; C. Correa, *Implications of the Doha Declaration on the TRIPS Agreement and Public Health* (Geneva, WHO, 2002), p. viii. Available from

While Article IX.2 of the WTO Agreement requires a recommendation by the TRIPS Council for any authoritative interpretation of the TRIPS Agreement, the fact that the Doha Declaration was agreed upon by consensus arguably assimilates the Doha Declaration to an interpretation under Article IX.2.

The rationale behind Article IX.2 is to ensure consensus by all Members with certain interpretations of the WTO Agreements. The Doha Declaration clearly meets these consensus requirements. In addition, as the Doha Declaration refers to the TRIPS Agreement, it constitutes a subsequent agreement between WTO Members on the interpretation and implementation of the TRIPS Agreement within the meaning of Article 31(3)(a) of the Vienna Convention on the Law of Treaties.¹²⁶

The Doha Declaration in its paragraphs 4 and 5 provides:

We agree that the TRIPS Agreement does not and should not prevent Members from taking measures to protect public health. Accordingly, while reiterating our commitment to the TRIPS Agreement, we affirm that the Agreement can and should be interpreted and implemented in a manner supportive of WTO Members' right to protect public health.¹²⁷ ... We recognize that ... in applying the customary rules of interpretation of public international law, each provision of the TRIPS Agreement shall be read in the light of the object and purpose of the Agreement as expressed, in particular, in its objectives and principles.¹²⁸

The Doha Declaration thus confirms that the wording of the Agreement leaves Members certain room for manoeuvre because Articles 7 and 8 on object and purpose demand an interpretation of the Agreement in light of public health concerns. This follows in particular from paragraph 4 of the Doha Declaration, which may be interpreted as a broad mandate for the Members to take appropriate measures to address public health concerns.¹²⁹ Thus, the TRIPS Agreement leaves Members significant discretion in the way they implement its provisions in domestic law.¹³⁰

The previous discussion is important for tobacco plain packaging cases because claimants invoked a violation of Article 20 of TRIPS,¹³¹ which states that “*the use of a trademark in the course of trade shall not be unjustifiably encumbered by special requirements such as use*

http://www.who.int/medicines/areas/policy/WHO_EDM_PAR_2002.3.pdf?ua=1. Art. IX:1 of the WTO Agreement provides in the relevant part: “1. The WTO shall continue the practice of decision making by consensus followed under GATT 1947. Except as otherwise provided, where a decision cannot be arrived at by consensus, the matter at issue shall be decided by voting. At meetings of the Ministerial Conference and the General Council, each Member of the WTO shall have one vote ... Decisions of the Ministerial Conference and the General Council shall be taken by a majority of the votes cast, unless otherwise provided in this Agreement or in the relevant Multilateral Trade Agreement”.

¹²⁶ Art. 31 of the Vienna Convention on the Law of Treaties: “1. A treaty shall be interpreted in good faith in accordance with the ordinary meaning to be given to the terms of the treaty in their context and in the light of its object and purpose. ... There shall be taken into account, together with the context:

(a) Any subsequent agreement between the parties regarding the interpretation of the treaty or the application of its provisions;

(b) Any subsequent practice in the application of the treaty which establishes the agreement of the parties regarding its interpretation;

(c) Any relevant rules of international law applicable in the relations between the parties”. See also Abbott *supra* note 125, p. 491.

¹²⁷ See para. 4 of the Doha Declaration, WT/MIN(01)/DEC/W/2 of 14 November 2011.

¹²⁸ See para. 5 (a) of the Doha Declaration, WT/MIN(01)/DEC/W/2 of 14 November 2011.

¹²⁹ UNCTAD-ICTSD, *Resource Book on TRIPS and Development* (Geneva, 2005), p. 131.

¹³⁰ Hestermeyer *supra* note 124, p. 49. See also Voon and Mitchell *supra* note 83, p. 118.

¹³¹ *Australia – Certain Measures Concerning Trademarks and Other Plain Packaging Requirements Applicable to Tobacco Products and Packaging*, WT/DS434/1, 15 March 2012.

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”.

Article 20 of TRIPS precludes the imposition of “special requirements” where these unjustifiably encumber the use of trademarks in the course of trade. It also provides as examples of a “special requirement” the use with another trademark, the use in a special form or the use in a manner detrimental to its capability to distinguish the goods or services of one undertaking from those of other undertakings.¹³²

Tobacco plain packaging could fall into the category of a “special requirement”, and it could constitute an infringement of Article 20 of the TRIPS Agreement if it unjustifiably encumbered the use of a trademark in the course of trade.

However, Article 20 of TRIPS only prohibits an unjustifiable encumbrance. The legal formulation of this article leaves substantial flexibility to the interpreter.¹³³ Indeed, Article 20 does not clarify the question of what constitutes an unjustifiable or justifiable encumbrance. Furthermore, the lack of jurisprudence on Article 20 of TRIPS leaves the definition of “unjustified encumbrance” unclear. Therefore, Article 20 needs to be interpreted using the Vienna Convention on the Law of Treaties, i.e. according to its ordinary meaning in its context, and in light of the object and purpose of the TRIPS Agreement, as defined in Articles 7 and 8.

A possible interpretation of justifiable encumbrance is provided by Article 8. If tobacco plain packaging is a measure to protect human health, then it could be justifiable and therefore consistent with TRIPS.¹³⁴ Article 8.1 assures the Members the possibility to pursue legitimate public policy objectives under the TRIPS Agreement.¹³⁵ The Doha Declaration reinforces the Members’ rights to regulate tobacco products.

Plain packaging has proven to be less appealing to children or young people who might be thinking of trying out smoking and who can easily be misled by packet design into thinking that some tobacco products may be safer than others.¹³⁶ Australian health officials reported that the nation’s smoking rate among people aged 14 years or older dropped by more than 15 per cent – from 15.1 per cent in 2010 to 12.8 per cent in 2013 – following the implementation of the plain packaging legislation.¹³⁷

¹³² For an exhaustive comment on art. 20 of TRIPS see, UNCTAD-ICTSD, *Resource Book on TRIPS and Development* (Cambridge University Press, 2005), p. 246. “The meaning of ‘special form’ might refer either to a standard format prescribed for all trademark owners (such as ‘in translation’, or in a particular size or colour scheme), or to a case-by-case determination by a trademark authority”.

¹³³ See also Abbott, Cottier and Gurry *supra* note 99, p. 318.

¹³⁴ Correa’s opinion in this matter is that “conditions imposed with an aim to warn the public about the effects of the use of a product (e.g. tobacco) or restricting the use of trademarks” would be “justifiable for public health reasons” under TRIPS art. 20. See Correa *supra* note 106, p. 200. Hestermeyer affirmed, “The Agreement clearly does not intend to solely further the interests of the inventor, but also imposes limits on those interests for reasons of social and economic welfare”. See Hestermeyer *supra* note 124. Voon and Mitchell wrote, “it seems incontrovertible that a public health objective could justify an encumbrance under TRIPS Article 20”. See Voon and Mitchell *supra* note 83; see also WHO – Confronting the Tobacco Epidemic *supra* note 107, p. 38.

¹³⁵ European Communities – *Trademarks and Geographical Indications* (para. 7.246).

¹³⁶ See D. Hammond and others, “Cigarette Pack Design and Perceptions of Risk among UK Adults and Youth”, *European Journal of Public Health*, vol. 19, No. 6 (2009), pp. 631-637; C. Moodie and G. Hastings, “Making the Pack the Hero, Tobacco Industry Response to Marketing Restrictions in the UK: Findings from a Long-Term Audit”, *International Journal of Mental Health and Addiction*, vol. 9 (2009), pp. 24-38; see also Explanatory Memorandum of Tobacco Plain Packaging Bill 2011, 2010-2011, Parliament of Australia, at 1.

¹³⁷ See V. White, T. Williams and M. Wakefield, “Has the Introduction of Plain Packaging with Larger Graphic Health Warnings Changed Adolescents’ Perceptions of Cigarette Packs and Brands?”, in *Implementation and Evaluation of the Australian Tobacco Plain Packaging Policy*, Volume 24 (April 2015); see also Australian Institute of Health and Welfare’s 2013 Survey Report. Available from <http://www.aihw.gov.au/2013-national-drug-strategy-household-survey/>.

One of the complex tasks of the Panel in the Australian case was to analyse whether plain packaging was a justifiable measure to determine whether the measure contravened Article 20 of TRIPS. The question then focused on the determination of tobacco plain packaging as a measure for the protection of human health. It was the complainant's burden to prove that tobacco plain packaging did not pursue the objective of protecting human health but was unjustifiably encumbering the use of a trademark in the course of trade.¹³⁸

Research carried out on the influence of the design elements of tobacco packaging on consumers, especially the most vulnerable groups in the population, was crucial for the Panel's assessment as to whether the measure was apt to contribute to the achievement of its public health objective. However, the Panel had to assess if there was any alternative WTO-consistent measure that would meet the Member's health objectives.

The Panel used a similar methodology to that of Article XX GATT 1994 in its analysis of the contribution of tobacco plain packaging to the achievement of the objective to reduce smoking and its harmful effects.¹³⁹ However, it is important to note that the conditions for a measure to be "necessary" under Article XX GATT 94 or Article XIV GATS are arguably more stringent than those that would apply for a measure to be "justifiable".¹⁴⁰ In the case of *Korea – Various Measures on Beef*, the Appellate Body indicated that "*the word 'necessary' is not limited to what is 'indispensable'*". It leaves the door open to a more flexible understanding of the criteria applicable to a "justifiable" measure.

In its decision *Brazil – Retreaded Tyres*, a WTO Panel analysed the measure's contribution to the achievement of a public health objective. The Panel stated that a contribution existed when there was a genuine relationship of ends and means between the objective pursued and the measure at issue.¹⁴¹ The nature of the risk, the objective pursued and the levels of protection sought are fundamental elements in the selection of the methodology.¹⁴² Establishing whether health risks exist is largely dependent on the availability of evidence. The risk may be evaluated in either quantitative or qualitative terms.¹⁴³ In any case, the protection of human health has been considered by the case law as vital.¹⁴⁴

The Panel's decision in *United States – Clove Cigarettes* referred to the WHO FCTC as evidence that the measure was legitimate and necessary for the purpose of the Agreement on Technical Barriers to Trade (TBT).¹⁴⁵ The Panel recognized that the public health objective of the US measure, namely "*the reduction of youth smoking*", was legitimate. The Panel also considered the wording of the preamble to the TBT Agreement, which acknowledges that "*no country should be prevented from taking measures necessary for the protection of human life or health at the level it considers appropriate*".¹⁴⁶ The Panel also took into consideration the WTO jurisprudence on Article XX (b) GATT 94¹⁴⁷ and took note of the relevant implementing guidelines adopted by the parties to the WHO FCTC.¹⁴⁸ The Panel did not rule on whether the WHO FCTC guidelines constitute international standards for purposes of the TBT Agreement.

¹³⁸ "The burden of proof rests upon the party, whether complaining or defending, who asserts the affirmative of a particular claim or defence". See Appellate Body Report, *United States – Measure Affecting Imports of Woven Wool Shirts and Blouses from India*, WTO Doc WT/DS33/AB/R (adopted 23 May 1997).

¹³⁹ *Brazil – Retreaded Tyres*, paras. 145-147. (WT/DS332/AB/R).

¹⁴⁰ Voon and Mitchell, *supra* note 83, p. 121.

¹⁴¹ *Brazil – Retreaded Tyres*, paras. 145-147. (WT/DS332/AB/R).

¹⁴² *Ibid.*, para. 145.

¹⁴³ Appellate Body Report, *European Communities – Measures Affecting Asbestos and Asbestos-Containing Products* (WT/DS135/AB/R, 5 April 2001).

¹⁴⁴ *Ibid.* See also Panel Report, *US – Clove Cigarettes*, paras. 7.113-7.114.

¹⁴⁵ Marrakesh Agreement Establishing the World Trade Organization, Annex 1A, of 1 January 1995.

¹⁴⁶ Panel Report, *US – Clove Cigarettes*, paras. 7.113-7.114 (quoting TBT Agreement preamble).

¹⁴⁷ *Ibid.*, paras. 7.368-7.369.

¹⁴⁸ *Ibid.*, paras. 7.414-7.427.

In the plain packaging case, Australia could demonstrate to the Panel that its concern involved “*an exceptionally grave domestic and global health problem involving a high level of preventable morbidity and mortality*”.¹⁴⁹ The Panel concluded that Australia’s objective of improving health by reducing the use of, and exposure to, tobacco products provided sufficient support for the application of the resulting encumbrances on the use of trademarks.¹⁵⁰ Furthermore, the panel stressed that the overall design of the Tobacco Plain Packaging measures, of which the trademark-related requirements were an integral part, provided support for the conclusion that the reasons for their adoption sufficiently supported those requirements, and that they were therefore not applied “unjustifiably”.¹⁵¹

The complainants had not demonstrated that the standardization of features within the overall design of the Tobacco Plain Packaging measures would be unjustifiable.¹⁵² The Australian legislation refers explicitly to the intention of giving effect to its obligations under the FCTC.¹⁵³ The panel recalled that the Article 11 FCTC Guidelines provide that the Parties of the FCTC “*should consider adopting measures to restrict or prohibit the use of logos, colours, brand images or promotional information*”.¹⁵⁴

iv) Article 3.1 of the TRIPS Agreement: Tobacco plain packaging and the non-discrimination requirements

Article 3.1 of the TRIPS Agreement relates to discrimination with regard to IP rights. It obliges WTO Members to ensure that the applied measures do not result in a less favourable treatment of foreigners than they accord to their own nationals with regard to the protection of intellectual property.¹⁵⁵

Since the Australian plain packaging legislation applies to all tobacco products, regardless of their origin, thereby having the same effect on all trademarks, it is not discriminatory and is TRIPS-consistent.

¹⁴⁹ Panel report, *Australia – Tobacco Plain Packaging*, para. 7.2592.

¹⁵⁰ *Ibid.*, para. 7.2592.

¹⁵¹ *Ibid.*, para. 7.2593.

¹⁵² *Ibid.*, para. 7.2594.

¹⁵³ *Ibid.*, para. 7.2596.

¹⁵⁴ *Ibid.*, para. 7.2595.

¹⁵⁵ In regards to products discrimination, the General Agreement on Tariffs and Trade (GATT 1994) and the Technical Barriers to Trade (TBT) Agreement require the application of measures in a manner that is not less favourable to imported products and does not constitute an advantage for national products. In the above-mentioned case of the *United States – Clove Cigarettes*, Indonesia brought the claim and argued that United States law treated Indonesian clove cigarettes less favourably than like menthol cigarettes of United States origin and was therefore in violation of art. 2.1 of TBT and art. III:4 of GATT 1994. Although the exemption for menthol cigarettes was found to be WTO-inconsistent, this conclusion can be reconciled with health objectives. As the Panel explained, “*We are not saying that the United States is not allowed to adopt measures such as Section 907(a)(1)(A) to regulate products for public health reasons; on the contrary, that is permitted provided it respects the boundaries set forth in Article 2.2 of the TBT Agreement such as not being a measure more trade restrictive than necessary to fulfil a legitimate objective. We are saying that if the United States chooses to do so, it must not accord less favourable treatment to imported clove cigarettes than that it accords to the like domestic menthol cigarettes for reasons of avoiding potential costs*”. See *United States – Clove Cigarettes*, para. 7.290.

V. LEGAL OPTIONS AVAILABLE TO THE PARTIES OF THE WHO FCTC CONVENTION UNDER THE TRIPS AGREEMENT

A) The flexibilities of the TRIPS Agreement

The TRIPS Agreement recognizes the sovereign right of Members to adopt measures and to legislate in order to protect, *inter alia*, the health of their citizens. TRIPS' language provides an opportunity for Parties of the WHO FCTC to tailor their laws and policies to strike a balance between the exclusive intellectual property rights granted at the domestic level and public policy.¹⁵⁶

Moreover, the analysis of the interaction between public health policy and the TRIPS Agreement, which was first addressed in light of the debate over access to medicines, revealed that the TRIPS Agreement contains policy space for the promotion of public health policy objectives.¹⁵⁷ If TRIPS' flexibilities are fully utilized, they will bring beneficial effects in terms of the possibilities to implement WTO-consistent plain packaging legislation. A number of strategies have to be put in place in order for the options available under the TRIPS Agreement to be fully implemented.¹⁵⁸

The Panel's report in the Australian case confirmed, as academics had extensively repeated, that the Members were entitled to freely choose the policy best suited to achieve their public health objectives, even though these may involve the ultimate or minimum encumbrance on the use of a trademark.¹⁵⁹ This is explicitly authorized by Article 20, although it binds this flexibility to the obligation to provide a justified reason. The panel summarizes its position in the following terms:

*In our view, the term “unjustifiably” in Art. 20 provides a degree of latitude to a Member to choose an intervention to address a policy objective, which may have some impact on the use of trademarks in the course of trade, as long as the reasons sufficiently support any resulting encumbrance. This, however, does not mean that the availability of an alternative measure that involves a lesser or no encumbrance on the use of a trademark could not inform an assessment of whether the reasons for which the special requirements are applied sufficiently supports the resulting encumbrance. We do not exclude the possibility that the availability of an alternative measure could, in the circumstances of 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 in particular 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.*¹⁶⁰

B) Articles 7 and 8.1 of the TRIPS Agreement and the Doha Declaration

Articles 7 and 8.1 of TRIPS do not contain exceptions to the obligations of TRIPS. However, these provisions are relevant to the interpretation of the TRIPS Agreement.¹⁶¹

¹⁵⁶ UNCTAD *supra* note 94, p. 32.

¹⁵⁷ *Ibid.*, p. 2.

¹⁵⁸ *Ibid.*, p. 4.

¹⁵⁹ Panel report, *Australia – Tobacco Plain Packaging*, para. 7.2598.

¹⁶⁰ *Ibid.*, para. 7.2598.

¹⁶¹ See above, F (iii). As explained before, arts. 7 and 8 of TRIPS constitute “object and purpose” for the purposes of treaty interpretation under art. 31 (3) (a) of the Vienna Convention on the Law on Treaties.

A general principle of treaty interpretation is that terms are presumed not to be surplus. Words are in a treaty for a reason and should be given their normal meaning within their context.¹⁶² Article 7 makes it clear that TRIPS is not intended only to protect the interests of the rightsholders, but to strike a balance that promotes social and economic welfare. Article 8.1 contemplates that Members may adopt internal measures which are consistent with TRIPS and are necessary to protect public health and to promote the public interest.¹⁶³

On the other hand, the Doha Declaration clarifies the flexibilities available to WTO Members under TRIPS. In doing so, the Declaration also clarifies the relationship between TRIPS and public health more generally.

The cases analysed above show that the TRIPS Agreement allows Members to take measures that limit the use of registered trademarks, since the use of a trademark is not part of the rights conferred under Article 16.1 of TRIPS.¹⁶⁴

The Parties could use the Tobacco Plain Packaging Act as a reference for the implementation of the guidelines of Articles 11 and 13 of the WHO FCTC. WTO jurisprudence confirms that non-WTO treaties and general international law can be used as an aid for interpreting WTO agreements, such as in the case of *US – Clove Cigarettes*, but they are not part of the applicable law. However, the Panel in the above-mentioned case made extensive use of the WHO FCTC.

However, it is still possible that the Parties will be faced with WTO dispute settlement or exposed to pressure by the tobacco industry to adopt less stringent standards on packaging and labelling of tobacco products, and specifically plain packaging for the protection of public health. These risks represent a potential disincentive for the implementation of the guidelines of Articles 11 and 13 of the WHO FCTC as well as the possibility of making use of TRIPS' flexibilities.

It is worth recalling that even if the risk of litigation exists, States are under a duty to take effective measures that prevent third parties from interfering with or violating others' right to health.¹⁶⁵ As subjects of international law, States must fulfil their obligations under international human rights law, whereas private corporations arguably have no such obligations.¹⁶⁶ The obligation to fulfil the right to health requires States to adopt a national health policy through appropriate legislative, administrative, budgetary, judicial, promotional and other measures towards the full realization of such right.¹⁶⁷

¹⁶² See UNCTAD-ICTSD *supra* note 125, p. 118.

¹⁶³ *Ibid.*, p. 126.

¹⁶⁴ See above, sect. III.

¹⁶⁵ See Report of the High Commissioner, Economic, Social and Cultural Rights, *The Impact of the Agreement on Trade-Related Aspects of Intellectual Property Rights on Human Rights* (E/CN.4/SUB.2/2001/13), p. 11.

¹⁶⁶ On this argument, see D. Uribe, "Setting the Pillars to Enforce Corporate Human Rights Obligations Stemming from International Law", South Centre Policy Brief No. 56 (Geneva, October 2018). Available from https://www.southcentre.int/wp-content/uploads/2018/10/PB56_Setting-the-pillars-to-enforce-corporate-human-rights-obligations-stemming-from-international-law_EN.pdf.

¹⁶⁷ See Report of the High Commissioner *supra* note 165.

VI. RECOMMENDATIONS ON THE IMPLEMENTATION OF PACKAGING AND LABELLING PROVISIONS OF WHO FCTC

WTO jurisprudence has treated the protection of human health as vital and important to the highest degree.¹⁶⁸ The Parties of the WHO FCTC can implement *bona fide* non-discriminatory public health measures on tobacco control, which are consistent with WTO law.¹⁶⁹

The following section presents three categories of recommendations about how Parties can fully implement packaging and labelling regulations under Articles 11 and 13 of the WHO FCTC Convention and related guidelines for implementation, in light of the TRIPS Agreement. The ultimate purpose of this exercise is to provide Parties with practical guidance about the relevant arguments and strategies that they can use when protecting their tobacco control measures against challenges initiated by the tobacco industry or disputes in the WTO.

The following recommendations are not intended to be exhaustive. There is no universal approach to defending a Party facing a dispute settlement procedure at the WTO or at an international investment tribunal. However, the experience of some Parties in addressing public health concerns can be used as reference. The three categories are (i) recommendations to be observed when negotiating international trade or investment agreements, (ii) recommendations to be considered in the design of the national measures implementing the guidelines of Articles 11 and 13 of the WHO FCTC Convention and (iii) arguments that Parties can invoke in case of a dispute on intellectual property rights at the WTO.

A) Recommendations to be observed when negotiating international trade agreements or investment agreements

When negotiating international investment agreements (IIAs) or free trade agreements (FTAs), negotiating Parties should aim to minimize uncertainty with a view to protecting themselves from investor-State claims.¹⁷⁰ Balancing public interest goals and an adequate level of commitment is an important aspect of this. There are a number of considerations that, if observed, would leave Parties considerable room for manoeuvre to minimize the risk of litigation.

First, Parties have to manage the interaction between their strategies for health, trade and investment policies. Involving all stakeholders can help achieve such coherence. Policy coherence can also be supported by an institutional framework based on the rule of law that adheres to high standards of public governance and ensures predictable, efficient and transparent procedures. Two processes can be put in place: impact assessments and interdepartmental dialogue. For example, the strong engagement of the Ministry of Health with the Ministry of Trade or Finance on the obligations under the WHO FCTC is of great benefit and can ensure the coherence of national policies. The WHO, in its publication

¹⁶⁸ Appellate Body Report, *European Communities – Measures Affecting Asbestos and Asbestos-Containing Products* (WT/DS135/AB/R, 5 April 2001), VII, 3243, para 172; Panel Report, *Brazil – Measures Affecting Imports of Rethreaded Tyres* (WT/DS332/R, 12 June 2007), para. 7.111.

¹⁶⁹ WHO – Confronting the Tobacco Epidemic *supra* note 107, pp. 59-60; UNCTAD-ICTSD *supra* note 125, p. 126.

¹⁷⁰ For core principles and guidelines for national investment policies and guidance for policymakers on the formulation of national investment policies and negotiation of investment agreements, see J. Schwarzer, “Investor-State Dispute Settlement: An Anachronism Whose Time Has Gone By”, Investment Policy Brief No. 12 (Geneva, South Centre, December 2018); see also UNCTAD, *Investment Policy Framework for Sustainable Development* (Geneva, 2012); see also WHO – Confronting the Tobacco Epidemic *supra* note 107, p. 15.

“Confronting the Tobacco Epidemic in a new era of trade and investment liberalization”,¹⁷¹ recommends that health authorities monitor the negotiation of international trade and investment agreements and ensure that these agreements do not reduce the scope for tobacco control. This can help Parties to preserve their right to regulate, including regarding conditions for foreign investment, with a view to maximizing the economic benefits resulting from trade and investment while adequately protecting public health.

Article 2(1) of the Investment Agreement between Switzerland and Uruguay offers an example where the Parties preserved their right to regulate regarding the authorization of certain economic activities. It states, “*The Contracting Parties mutually recognize each other’s right to not authorize economic activities for reasons of safety, order, health or public morality, as well as activities reserved by law for its own investors*”.¹⁷²

In order to better apply the provisions of the WHO FCTC, the Parties are encouraged to use the Guidelines for implementation of Article 5.3¹⁷³ of the WHO FCTC,¹⁷⁴ which provide recommendations for, *inter alia*, decision makers, government officials and representatives in the context of trade and investment negotiations and are likely to be used in the interpretation of trade and investment agreements. The Guidelines express the determination of the Parties to give priority to the right to protect public health.¹⁷⁵

The Guidelines recommend that Parties, especially developing countries, including least developed countries (LDCs), not grant the tobacco industry any incentive, privilege or benefit to establish or run their business.¹⁷⁶ Preferential treatments in favour of the tobacco industry would be in conflict with tobacco control policy and susceptible to complaints.¹⁷⁷

Another issue of relevant importance is that policy makers have to be aware of the flexibilities that exist under the TRIPS Agreement and understand to what extent these flexibilities could be undermined by the adoption of “TRIPS-plus” provisions in their domestic legislation. Some countries involved in the negotiation of free trade agreements are being pushed to adopt provisions in national legislations that go beyond the minimum standards of protection required by the TRIPS Agreement. The “TRIPS-plus” provisions seriously limit the options to tailor national IP policies to domestic public health needs. One example of a “TRIPS-plus” provision with related effects on the use of trademarks in tobacco packaging can be found in the decision of the Sri Lankan Court of Appeal of 12.05.2014,¹⁷⁸ summarized in Box 2:

¹⁷¹ WHO – Confronting the Tobacco Epidemic *supra* note 107, p. 66.

¹⁷² *Ibid.*, pp. 65-66.

¹⁷³ Art. 5.3 of the WHO FCTC Convention states that in setting and implementing the public health policies related to tobacco control, Parties shall act to protect these policies from commercial and other vested interests of the tobacco industry in accordance with national law.

¹⁷⁴ The Guidelines for the implementation of art. 3.5 of the WHO FCTC were adopted by the third session of the Conference of the Parties in 2008.

¹⁷⁵ The Conference of the Parties adopted the guidelines for implementation of art. 5.3 WHO FCTC with the aim to assist Parties in meeting their legal obligations under art. 5.3. WHO FCTC. See Guidelines for implementation of art. 5.3 WHO FCTC, pp. 4-13.

¹⁷⁶ Principle 4 of the Guidelines for Implementation of art. 5.3 of the WHO FCTC Convention says, “*Because their products are lethal, the tobacco industry should not be granted incentives to establish or run their business.*” To address tobacco industry interference in public health policies, the Guidelines for Implementation of art. 5.3 recommend limiting interactions with the tobacco industry and rejecting partnerships with the tobacco industry.

¹⁷⁷ WHO – Confronting the Tobacco Epidemic *supra* note 107, p. 15.

¹⁷⁸ See Decision CA 336/2012 (Writ), Court of Appeal, Sri Lanka, 12 May 2014.

Box 2. Example of “TRIPS-plus” provision: The right to use a trademark in Sri Lankan Legislation¹⁷⁹

This decision refers to the positive right (right to use) for trademarks granted in the Sri Lanka Intellectual Property Act 2003 (hereinafter the IP Act). The Court decided that the mandatory pictorial health warnings displayed on packets of cigarettes covering 80 per cent of the total area of a pack would have denied the legitimate use of the trademark.

The Government of Sri Lanka, through its Ministry of Health and according to its obligation under the WHO FCTC, promulgated the Tobacco Products (Labelling and Packaging) Regulation No. 1 of 2012 (published in Gazette Extraordinary No. 1770/15 of 8 August 2012). It was subsequently amended by regulation published in Gazette Extraordinary No. 1797/22 of 15 February 2013.¹⁸⁰

The regulations prescribed health warnings for tobacco products containing pictorials, graphics, images or any other non-textual content under Section 30 read with Section 34 of the National Authority on Tobacco and Alcohol Act No.27 of 2006 (NATA) and empowered the Ministry of Health to make regulations that prescribed the nature and dimensions of health warnings to be displayed on every tobacco pack.¹⁸¹ Moreover, the regulations introduced labelling and packaging requirements for tobacco products, as follows:

- a) Mandatory pictorial health warnings to be displayed on packs of cigarettes covering 80 per cent of the total area of a pack;
- b) Imposition of a descriptor ban (use of descriptions “light”, “low” and “mild”);
- c) Printing health warnings and other information in a font size of not less than 10 and in three languages.

The company Ceylon Tobacco Company PLC (hereinafter CTC) challenged the above-mentioned legislation for, *inter alia*,

1. It being *ultra vires* the Minister’s power to make regulations under section 30 read with 34 of the NATA Act. The Minister was not empowered to make regulations prescribing pictorial health warnings, as his powers were limited to dealing with textual warnings.¹⁸² Furthermore, the WHO FCTC does not require 80 per cent pictorial warning. Article 11 of WHO FCTC requires only 50 per cent or more. The WHO FCTC does not impose a binding obligation to use pictures.

2. The regulations were unreasonable and disproportionate. The CTC alleged that the regulations illegally subverted the statutory right to use its trademarks guaranteed under section 121(1) of the IP Act.¹⁸³

¹⁷⁹ See the analysis of M. Althaf, “Sri Lankan Court of Appeal balances tobacco trade mark rights and the promotion of public health”, *Journal of Intellectual Property Law & Practice*, vol. 9, No. 9 (2014), pp. 708-710, doi: 10.1093/jiplp/jpu131.

¹⁸⁰ *Ibid.*, p. 708.

¹⁸¹ *Ibid.*, p. 709.

¹⁸² *Ibid.*

¹⁸³ *Ibid.*, p. 710.

It has to be noted that section 121(1) of the IP Act effectively guarantees a positive right to use the trademark in trade under Sri Lankan legislation. This is an example of a TRIPS-plus provision, as it goes beyond the minimum obligations established under the TRIPS Agreement, which only requires Members to confer on trademark owners a negative right to exclude the unauthorized use of their trademarks.¹⁸⁴

Regarding the first argument, the court concluded that the term “health warning” should not be narrowly interpreted, since a warning in today’s context and society could be expressed by means of both text and pictures. The court said that it could never have been the intention of Parliament to exclude pictorial health warnings, since such warnings could reach all categories of persons, including those who may be illiterate. Therefore, the implementation of pictorial health warnings in terms of the regulations was considered lawful by the Court and within the scope of the NATA Act and the powers of the minister.¹⁸⁵

With respect to the second argument, the Court acknowledged the positive right to use a trademark, referring to an earlier decision of the Sri Lankan Court of Appeal in *Leelananda v Earnest de Silva* [1990]2 Sri LR 237. The court concluded that any limitations on the rights of a trademark owner (as prescribed in sect. 122 of the IP Act) apply only to the negative aspect of the right, whereas the positive right to use a trademark does not succumb to any such restriction. In conclusion, “Where 80% of the pack is covered with the health warning, the practical issue that arises is whether the remaining 20% is reasonably sufficient to present and exhibit the mark or in other words to use the mark ... 20% of the space is not reasonably sufficient to present and exhibit a trade mark”.¹⁸⁶

Although CTC’s application was dismissed by the Court, the regulations were adjusted in order to protect the right to use the trademarks on tobacco packaging. The court considered that the contrary would be an unreasonable restriction of the right to use. After this decision, only 50-60 per cent of the display surface of tobacco packs is subject to pictorial health warnings, leaving at least 40 per cent of space for the display of trademarks.¹⁸⁷

It is important to note that many countries are not in this legal situation; therefore, it should not be interpreted as a blanket ruling for a 60-40 per cent rule.

During negotiations, Parties can safeguard their right to regulate by carefully crafting the structure and content of IIAs and FTAs. Clarifications of the scope and purpose of the agreement and the meaning of vague treaty provisions, for example by incorporating special clauses or definitions, can help promote predictability of the obligations undertaken. Concepts commonly used in investment agreements such as “expropriation” and “fair and equitable treatment” have to be well defined.¹⁸⁸

¹⁸⁴ See art. 16.1 of the TRIPS Agreement.

¹⁸⁵ Althaf *supra* note 179, p. 710.

¹⁸⁶ Ibid.

¹⁸⁷ Ibid.

¹⁸⁸ For a fuller discussion of the extent and meaning of these terms, see UNCTAD, *Fair and Equitable Treatment: A Sequel* (Geneva, 2012); see also UNCTAD, *International Investment Law and the WHO Framework Convention on Tobacco Control* (Geneva, 2014), p. 9; see also H. Gross Ruse-Khan, “Litigating Intellectual Property Rights in Investor-State Arbitration: From Plain Packaging to Patent Revocation”, Working Paper No.

B) Recommendations to be considered in the design of the national measures implementing packaging and labelling measures in line with the WHO FCTC

As most of the Parties of the WHO FCTC Convention are WTO Members, they are bound by both legal regimes.¹⁸⁹ Therefore, by implementing the WHO FCTC Articles 11 and 13 and their guidelines, the Parties of the Convention which are also WTO Members have to observe the commitments made under the TRIPS Agreement, the Paris Convention and other relevant WTO Agreements. The respect of cornerstone provisions of the WTO legal system, such as national treatment, is therefore mandatory.

WTO Members are obliged to treat nationals of other Members no less favourably than their own nationals in relation to the protection of IP rights (Article 3.1 of the TRIPS Agreement). In regard to products, a similar provision can be found in the Guidelines for implementation of Article 11, which states, “*no distinction is made between products that are manufactured domestically or imported or intended for duty-free sale within a Party’s jurisdiction*”.¹⁹⁰

The national treatment clause may constitute the Achilles heel of Members in WTO disputes. Any measure has to be applied in a non-discriminatory manner according to Article 3.1 of the TRIPS Agreement, Article 2.1 of the TBT, as well as Articles I and III: 4 of GATT 1994. Although these provisions seem to be similar to Article 3.1 of TRIPS, there is an important difference: Article III: 4 of GATT 1994 refers to goods. Members are therefore obliged to adopt measures that do not distinguish in their express terms or implicitly between imported and domestic products (if the distinction is not justified by non-discriminatory purposes).¹⁹¹ If a WTO Member makes distinctions based on the origin of “like” tobacco products, it will be seen as undermining the effectiveness of the public health measure and against the purpose of the measure to protect public health. For example, in the case *United States – Clove Cigarettes*,¹⁹² Indonesia challenged United States restrictions on flavoured tobacco products that prohibited clove cigarettes but not menthol cigarettes. These restrictions were found to be discriminatory and in violation of Article 2.1 of the TBT. The Panel found that clove and menthol-flavoured cigarettes are “*like products*” within the meaning of Article 2.1 of the TBT Agreement.

Members have to pay attention in the design of their measures to the fact that sometimes the legal rules that use identical terms to address foreign and local nationals and appear neutral could in fact produce discriminatory effects when they are put into practice. This is referred as “*de facto discrimination*”.¹⁹³ In other words, Members may be *de facto* discriminatory when apparently neutral legal rules have discriminatory results.

2014/21 (Society of International Economic Law, 2014). Available from <http://ssrn.com/link/SIEL-2014-Bern-Conference.html>.

¹⁸⁹ Arguably, there may be a conflict among international legal regimes, i.e. human rights law and WTO law. In order to address such concerns, former WTO Director General Mr. Pascal Lamy stated in September 2010 that trade and human rights go hand in hand – that there is no conflict. It is not the objective of this paper to analyse this argument. However, it is important to mention that one of the most relevant differences among them is that WTO regime is second to none in the factual hierarchy due to its effective enforcement mechanism, whereas the human rights regime has a rather weak enforcement mechanism. Even so, human rights law is perceived as higher than WTO law in what could be called its moral appeal. Hestermeyer *supra* note 124, p. 298.

¹⁹⁰ Guidelines for implementation of art. 11, p. 60.

¹⁹¹ UNCTAD-ICTSD *supra* note 125, p. 63.

¹⁹² *United States – Measures Affecting the Production and Sale of Clove Cigarettes* (WT/DS406/AB/R, 4 April 2012).

¹⁹³ UNCTAD-ICTSD *supra* note 125, p. 63.

C) Arguments that Parties can use in case of a dispute based on intellectual property rights

Following the previous analysis, the Australian Tobacco Plain Packaging Act 2011 and Law No. 18.256 of Uruguay seem to be examples of best practice on the implementation of packaging and labelling measures in light of the WHO FCTC guidelines on Articles 11 and 13. They could be used by the Parties of the Convention as a reference for the design of their domestic regulations. This paper looked at the provisions contained in the WHO FCTC guidelines on Articles 11 and 13 and the arguments presented by the complainants and showed that those arguments can be refuted.

In case of a dispute in the WTO, the WTO Member who challenges tobacco control measures put in place to protect human health bears the burden of proof. In the case of the Tobacco Plain Packaging Act 2011, it was incumbent on the complainants to prove that Australia's measures were inconsistent with WTO law.

As this paper noted, Articles 7 and 8 of TRIPS, the Doha Declaration on Public Health, the WHO Framework Convention on Tobacco Control and the Guidelines of Articles 5.3, 11 and 13 of WHO FCTC offer a range of possibilities in support and justification of the application of measures to reduce the consumption of tobacco and protect people's health.

VII. CONCLUSION

Tobacco consumption is involved in millions of deaths and could cause at least 8 million deaths per year by 2030, with 70 per cent expected to occur in developing countries. For this reason, parties to the WHO FCTC are encouraged to implement plain packaging, which is considered as one of the most effective ways to increase the impact of health warnings recommended by the WHO FCTC Guidelines.

However, the manipulation of the mass media, the different arguments used by the tobacco industry and the lack of jurisprudence on the relevant TRIPS provisions could have the perverse effect of discouraging governments from implementing key provisions of the WHO FCTC Convention. Contrary to what might be expected, some countries, unintimidated by these attacks, have issued legislation on plain packaging. This paper presented some of the legal attacks initiated by the tobacco industry against plain packaging around the world and showed that none of them managed to succeed.

As examined above, the flexibilities contained in the TRIPS Agreement and confirmed by the Doha Declaration on the TRIPS Agreement and Public Health support Members in applying measures to protect human health from the threat of tobacco. The Doha Declaration is a legal instrument that can make it easier for the Parties to adopt measures necessary to ensure the achievement of public health policy objectives without the fear of being dragged into a legal battle.¹⁹⁴

The experience of the Uruguayan, Australian, Canadian, Norwegian and Indian legislations implementing the packaging and labelling provisions in Articles 11 and 13 of the WHO FCTC highlight some of the different approaches Parties can use in the design of their own legislation. They also shed light on the main arguments against plain packaging advanced by the tobacco industry, which, as examined above, are not themselves sufficient to conclude that plain packaging is in conflict with the TRIPS Agreement.

The WTO Panel in the Australian case asserted that the plain packaging measures are in the interest of public health and that the claimants failed to demonstrate that they were inconsistent with Australia's obligations under Articles 1.1, 15, 16.1, 20 and 3.1 of the TRIPS Agreement, among others. Furthermore, the decision of the Panel served to reassure WTO Members of their rights, as recognized by Articles 7 and 8 of the TRIPS Agreement, to use the available policy space to establish and maintain a balance between IP and the societal objectives mentioned therein.

It seems clear that the provisions of the TRIPS Agreement do not prevent the adoption of plain packaging, but in order for it to succeed, coherence and good management of the interaction between national strategies for health, trade and investment policies when negotiating IIAs and FTAs are required. Good legal counselling and preventive measures also need to be implemented during the different stages of negotiation and design of such agreements.

The Parties to the FCTC have the sovereign power and duty to ensure that private rights are equitably balanced with public health interests. Consequently, and as this paper has shown, options that do not contravene intellectual property requirements under the TRIPS Agreement do exist for Parties to assert arguments in defence of tobacco-related public health policies adopted pursuant to the Convention.

¹⁹⁴ See Correa *supra* note 125.

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