

# TOBACCO PLAIN PACKAGING CASE: A RELATIONSHIP BETWEEN PUBLIC INTEREST AND INTELLECTUAL PROPERTY RIGHTS

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*Amidst the growing concern relating to grave health crisis due to the tobacco consumption and frightening statistic of deaths, the WHO Framework Convention on Tobacco Control (WHO FCTC) treaty was adopted. The guidelines were laid down by the convention to tackle the tobacco epidemic, one of such suggested measures was the plain packaging of tobacco products. In this regard, Australia became the first country to adopt the Tobacco Plain Packaging Act 2011 and implement the guidelines formulated by the WHO FCTC. Soon after the adoption of the Act, the validity of the legislation was questioned by the tobacco industry on various grounds including contravention of the TRIPs Agreement. However, Australia was successful in defending its right to regulate to protect public health through the plain packaging of tobacco products. The WTO panel and later Appellate Body also asserted this notion of Australia. This article has attempted to critically analyze the complex ruling of the WTO panel in 'Australia-Tobacco Plain Packaging' specifically in respect to the issues regarding TRIPs Agreement and trademark issues. As tobacco consumption is considered a global problem and with the Appellate Board upholding the ruling of the WTO panel that the measures are TRIPs compliant, there are high chances that this will give momentum to other countries to adopt similar measures. Furthermore, this decision could beset as a*

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*precedent and open the gate for various measures being adopted for other industries as well, which poses risk for public health like alcohol and food industry on the ground of public interest.*

**Keywords:** Public Health, Tobacco, Plain Packaging.

## I. INTRODUCTION

The World Health Organization (WHO) in its ‘Report on the Global Tobacco Epidemic, 2008’ highlighted the alarming situation due to tobacco consumption, where it states “unless urgent action is taken tobacco could kill one billion people during this century”.<sup>1</sup> In this regard, the first step was taken by formulating the WHO Framework Convention on Tobacco Control, a multilateral treaty, which came into force with the purpose to attain the highest standard of health and take action on the tobacco epidemic. It suggested price and tax measures and numerous non-price measures to curb tobacco consumption. The non-price measures included packaging and labeling of tobacco products. The signatories of the treaty were encouraged to implement the laid down measures. Australia became the first country to enact the Tobacco Plain Packaging Act and successfully adopt the plain packaging measures.<sup>2</sup> It gave momentum to many other countries to adopt a similar measure.

The primary objective of tobacco plain packaging is to protect public health from smoking as it leads to various deadly diseases like cancer, asthma, etc. The worsened fact is that not only the smoker, but also second-hand smokers are exposed to fatal diseases. However, if necessary, actions are taken then the tobacco epidemic can be averted. The interplay of Intellectual Property Law and International Trade Law has always been challenging in respect to tobacco control through plain

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<sup>1</sup> WHO REPORT ON THE GLOBAL TOBACCO EPIDEMIC, WORLD HEALTH ORGANIZATION 8 (2008), [https://apps.who.int/iris/bitstream/handle/10665/43818/9789241596282\\_eng.pdf;jsessionid=E3ECDB2D5E80753F1A830AE5FC269343?sequence=1](https://apps.who.int/iris/bitstream/handle/10665/43818/9789241596282_eng.pdf;jsessionid=E3ECDB2D5E80753F1A830AE5FC269343?sequence=1).

<sup>2</sup> WHO Framework Convention on Tobacco Control, WORLD HEALTH ORGANIZATION (Feb. 01, 2021), [https://www.who.int/fctc/text\\_download/en/](https://www.who.int/fctc/text_download/en/).

packaging. There has been a claim brought by the tobacco industry questioning the plain packaging measures, one of being that it is an infringement of their intellectual property rights.

Trademark on any product act is a communication tool, which conveys the details of the products to the consumer. This helps the consumer in forming preferences regarding the products. Trademark owners usually through their product's trade dress, logo, and word try to attract the consumer towards their product. Plain Packaging aims to cut this communication. It would reduce the attractiveness of the tobacco packet by prohibiting the use of colors, logos on the product and lays down the guidance regarding the font size, color for the inclusion of brand and variant name; hence, a lesser population will be lured towards the tobacco.

The tobacco industry has challenged the validity and legitimacy of this measure on different occasions, regarding it to be non-TRIPS compliant and ineffective. However, it was always ruled against the tobacco manufacturers. Following the adoption of plain packaging measures for tobacco by many countries, there is the potential impact of having a similar policy across different sectors that can be responsible for the deterioration of public health. The interpretation of Article 20 of the TRIPS Agreement is very crucial in this debate.

The article will firstly discuss the meaning and purpose of the plain packaging and the various challenges against the measure at different instances. Secondly, the panel's decision in the Australian tobacco plain packaging scheme is closely examined, looking at how the interpretation is done keeping the balance between member's legitimate policy objectives and the TRIPS provisions and views of academic scholars on the same issue are also taken. In this aspect, it has to be seen that the WTO panel has tackled numerous topics relating to trademark. Rather than tackling all the issues, this article will focus on two main issues namely, right to use and justifiability. Thirdly, the impact of the plain packaging decision on other market sectors with certain examples is discussed. Fourthly, all the critical views of different scholars regarding plain packaging are analyzed. Lastly, it is concluded with the opinion that plain packaging is TRIPS compliance but implementing it in wider

dimensions might lead to a slippery slope, therefore need to find the balancing mechanism.

## II. PLAIN PACKAGING: MEASURE TO CONTROL TOBACCO CONSUMPTION

Plain packaging means the standard packaging which is mandatory to be applied in all tobacco products, where though product names can be used but all the distinctive elements like colors, trademarks, texture, and form of the package itself cannot be used.<sup>3</sup> “When viewed in the context of the WHO FCTC, and particularly Articles 11 and 13, plain packaging serves several purposes, including:

1. Reducing the attractiveness of tobacco products;
2. Eliminating the effects of tobacco packaging as a form of advertising and promotion;
3. Addressing package design techniques that may suggest that some products are less harmful than others; and
4. Increasing the notice ability and effectiveness of health warnings.”<sup>4</sup>

Many countries like Australia, France, Ireland, New Zealand, Uruguay, and United Kingdom in the past few years have adopted numerous measures to abate the consumption of tobacco which includes the plain packaging scheme. The Australian Plain Packaging legislation prohibited the surface of tobacco packaging to have any decoration or particular shape or texture<sup>5</sup>, it should have a matt finish and drab dark brown color.<sup>6</sup> Further, it restricted from using trademarks and marks on the retail packaging of tobacco products, however, permitted the usage of the brand, business, or company name and any variant name

<sup>3</sup> Benn McGrady, *Trips and Trademarks: The Case of Tobacco*, 3 *World Trade Review* 55 (2004).

<sup>4</sup> *Plain Packaging of the Tobacco Product*, WORLD HEALTH ORGANIZATION, (Feb. 03, 2021, 1:00 PM), [https://apps.who.int/iris/bitstream/handle/10665/207478/9789241565226\\_eng.pdf;jsessionid=Co62DCBDDA6197EFD095374D6F06C207?sequence=1](https://apps.who.int/iris/bitstream/handle/10665/207478/9789241565226_eng.pdf;jsessionid=Co62DCBDDA6197EFD095374D6F06C207?sequence=1).

<sup>5</sup> Tobacco Plain Packaging Act, 2011, § 18 (1) (Physical Features of Retail Packaging).

<sup>6</sup> Tobacco Plain Packaging Act 2011, § 19 (2) (Colour and finish of Retail Packaging).

for the tobacco products.<sup>7</sup> Section 21 of the ‘Tobacco Plain Packaging Act, operating together with the TPP Regulations, laid down that with respect to cigarette packaging, font size must not be larger than 14 (for a brand, business, or company name) or 10-point size (for a variant name).<sup>8</sup>

These plain packaging measures is a subject of debate claiming to be in violation of international treaties like TRIPS which lays down the minimum standard of protection to intellectual property, international norms, and obligations as laid down in Bilateral Investment Treaties (BITs) between the countries and poses as a technical barrier to trade under WTO. Consequently, WTO Panel<sup>9</sup> and ICSID Tribunal<sup>10</sup> in different instances have been constituted as a result of a challenge to the measures implemented by Australia and Uruguay.

In the former case, Honduras, the Dominican Republic, Cuba, and Indonesia made a complaint to the dispute settlement body stating that the Australian plain packaging measure is not TRIPS compliant, however, all the arguments of the complainants were rejected. Being dismayed by the decision, the Government of Honduras<sup>11</sup> and the Dominican Republic<sup>12</sup> filed an appeal. The appeal was dismissed and the decision of the Panel was upheld by the Appellate Board.<sup>13</sup> It

<sup>7</sup> Tobacco Plain Packaging Act 2011, § 20 (1), (2), (3) (Prohibition on Trade Marks and Marks generally appearing on retail packaging).

<sup>8</sup> Panel Report, Australia – Certain Measures Concerning Trademarks, Geographical Indications and Other Plain Packaging Requirements Applicable to Tobacco Products and Packaging, WTO Doc. WT/DS467/R (adopted 28 June 2018). (hereinafter ‘Panel Report’).

<sup>9</sup> *Id.*, at ¶ 2.25.

<sup>10</sup> ICSID Case No. ARB/10/7 Philip Morris v. Uruguay; see also, PCA Case No. 2012-12 Philip Morris Asia Ltd. v. Commonwealth of Australia.

<sup>11</sup> Appellate Body Report, Australia – Certain Measures Concerning Trademarks, Geographical Indications and Other Plain Packaging Requirements Applicable to Tobacco Products and Packaging, WTO Doc. WT/DS441/AB/R (adopted 9 June 2020).

<sup>12</sup> Australia – Certain Measures Concerning Trademarks, Geographical Indications and Other Plain Packaging Requirements Applicable to Tobacco Products and Packaging WT/DS441/23 Notification of an Appeal by the Dominican Republic under Article 16.4 and Article 17 of the Understanding on Rules and Procedures Governing the Settlement of Disputes (DSU), and under Rule 20(1) of the Working Procedures for Appellate Review, available at: [https://docs.wto.org/dol2fe/Pages/FE\\_Search/FE\\_S\\_S009-DP.aspx?language=E&CatalogueIdList=247793,247750,247756,238914,233149,229732,28709&CurrentCatalogueIdIndex=1&FullTextHash=1&HasEnglishRecord=True&HasFrenchRecord=True&HasSpanishRecord=True](https://docs.wto.org/dol2fe/Pages/FE_Search/FE_S_S009-DP.aspx?language=E&CatalogueIdList=247793,247750,247756,238914,233149,229732,28709&CurrentCatalogueIdIndex=1&FullTextHash=1&HasEnglishRecord=True&HasFrenchRecord=True&HasSpanishRecord=True) (accessed Jan. 07, 2022).

<sup>13</sup> DS435 & DS441: Australia – Certain Measures Concerning Trademarks, Geographical Indications and Other Plain Packaging Requirements Applicable to Tobacco Products and Packaging.

was ruled that “complainants have not demonstrated that the plain packaging measures are inconsistent with Australia’s obligations under Article 20 of the TRIPS Agreement”.<sup>14</sup> This would globally expedite the implementation of tighter rules for tobacco and other unhealthy industries. Also, for the same measure, a claim was brought under a BIT between Australia and Hong Kong which was refused.<sup>15</sup> In the latter case, ICSID Tribunal was constituted on the complaint made that Uruguay violated the BIT in its treatment of the trademarks associated with the cigarette brand in which they have invested.<sup>16</sup> Though it was the case based on the bilateral investment obligations between the countries, however, it is important to know that the tribunal upheld the legality of the measures adopted by Uruguay. The Standardized Packaging of Tobacco Products Regulations 2015 was challenged by the Tobacco producers (British American Tobacco UK Ltd. and Associated Companies). However, Appellate Court ruled that they do not accept that the Regulations are *a priori* incompatible with the TRIPS Agreement.<sup>17</sup> CJEU also dismissed the challenge brought to the tobacco products directive.<sup>18</sup>

### III. PLAIN PACKAGING: DEGREE OF COMPLIANCE WITH TRIPS

The minimum standards for the trademarks are covered under Article 15-21 in Part II of the TRIPS Agreement. The main concerns of plain packaging with respect to the TRIPS are for Article 15.4 (an obstacle to registration of a trademark), Article 16.1 (rights conferred to an owner of a registered trademark), Article 16.3 (well-known trademarks), and Article 20 (other requirements). Article 31 and Article 32 of the Vienna Convention on the law of treaties are given due regard while interpreting the TRIPS agreement.

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<sup>14</sup> *Id.*, at ¶ 6.719.

<sup>15</sup> Philip Morris Asia Ltd. v. Commonwealth of Australia, (PCA Case No. 2012-12).

<sup>16</sup> Philip Morris Brands Sàrl v. Oriental Republic of Uruguay, ICSID Case No. ARB/10/7 (Jul. 8, 2016).

<sup>17</sup> R. (British American Tobacco UK Ltd.) v. Secy. of State for Health, 2018 QB 149 : (2017) 3 WLR 225 : 2016 EWCA Civ 1182 at ¶ 149.

<sup>18</sup> R. (on the Application of) Philip Morris Brands SARL v. Secy. of State for Health, Case No. C-547/14, Court of Justice of the European Union (2016).

## A. Article 15.4

Article 15 of the TRIPS Agreement defines the trademark and imposes the obligation on the members while identifying the signs for registration. Article 15.4 of the TRIPS Agreement, which reproduces Article 7 of the Paris Convention prohibits the obstacle for the registration of the trademark based on the nature of the goods or service to which such trademark shall be applied. The Australian tobacco plain packaging measures were challenged saying that it is a violation of Article 15.4 of the TRIPS Agreement read with Article 15.1 because though registration of inherently non-distinctive signs through use is allowed but implementing measures hinder in using that sign for the good of specific category.<sup>19</sup>

According to the tribunal, “objective and purpose of Article 15.4, read in the context of Article 15.1, is to regulate Member’s obligations regarding the registration of distinctive signs as trademarks and not to regulate the use of signs that do not already have the capability of distinguishing goods or services in the sense of Article 15.1.”<sup>20</sup> Therefore, the tribunal refused to interpret Article 15.4 in a manner to oblige the Members to allow the use of non-distinctive signs in order to acquire distinctiveness regardless of the product or service to be applied on.

On giving the plain reading of the provision of Article 15.1 and Article 15.4, there is no scope of violation by the implementation of the plain packaging measures as “the definition of a trademark cannot itself constitute a basis for restricting the power of governments to regulate its use and there is nothing in the wording of Article 15.1 that restricts government regulation.”<sup>21</sup> Through the measures, though the application of trademark on the products of particular nature may be affected that does not affect the registrability.<sup>22</sup> Further, the measures only prohibit the use of trademarks and lay down certain condition of using it and

<sup>19</sup> Panel Report, *supra* note 8 at ¶ 7.1781 -7.1784, ¶ 7.1785-7.1786, ¶ 7.1787-7.1788 and ¶ 7.1789-7.1790.

<sup>20</sup> *Id.*, ¶ 7.1894.

<sup>21</sup> Mark Davison, *Plain Packaging of Tobacco Products and the WTO Challenge* in ALBERTO ALEMANNO AND ENRICO BONADIO, *THE NEW INTELLECTUAL PROPERTY OF HEALTH* 169 (Edward Elgar 2016) (hereinafter ‘Mark Davison’).

<sup>22</sup> Tania Voon, *Flexibilities in WTO Law to Support Tobacco Control Regulation*, 39 AMERICAN JOURNAL OF LAW & MEDICINE, 216 (2013).

Article 15.4 talks about the registration of trademarks. Neither TRIPS nor Paris Convention contain any provisions that obliges WTO Members to grant the owner of a registered trademark, an affirmative right to actually ‘use’ the mark.<sup>23</sup>

An argument objects asking why a trademark owner will register or maintain registration of a trademark unless it has to be used. Further, argues that “why the TRIPS Agreement gives trademark owners a right to access a registration system and rights against use by third parties, is relevant to know to understand the trademark provisions of the TRIPS.”<sup>24</sup> This argument does not appear to be very persuasive as “allowing registration of a trademark or service mark does not impair the government’s authority to regulate the product associated with the mark”.<sup>25</sup>

Mitchell says that even if the argument that plain packaging affects the registration was accepted then the morality and public order exception under Article 6 *quinquies*(B)(3) of the Paris Convention could be used as a defense, considering the grave threat to the public from the consumption of the tobacco.<sup>26</sup> If had to use this exception, there can be debate regarding friction with Article 15.4. However, the tribunal has made the legal position clear on this.

## B. Article 16.1

In the Australian plain packaging case, the complainants claimed that the requirement of the measure regarding the implementation of a particular design, color and font size of the brand name, will affect the distinctiveness of their trademarks and as a result reduce the ability to demonstrate “a likelihood of confusion” with other marks. Hence, impairing the right of trademark owners of preventing unauthorized

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<sup>23</sup> Andrew D. Mitchell, *Australia’s Move to the Plain Packaging of Cigarettes and its WTO Compatibility*, 5 ASIAN J. WTO & INT’L HEALTH L. & POL’Y 416 (2010) (hereinafter ‘Mitchell’).

<sup>24</sup> Susy Frankel and Daniel Gervais, *Plain Packaging and the Interpretation of the TRIPS Agreement*, 46 VAND. J. TRANSNAT’L L. 1180 (2013) (hereinafter ‘Frankel and Gervais’).

<sup>25</sup> UNCTAD-ICTSD RESOURCE BOOK ON TRIPS AND DEVELOPMENT, CUP, 234 (2005), [https://unctad.org/en/PublicationsLibrary/ictsd2005d1\\_en.pdf](https://unctad.org/en/PublicationsLibrary/ictsd2005d1_en.pdf).

<sup>26</sup> MITCHELL, *supra* note 23.



use of their mark.<sup>27</sup> The distinctiveness of non-inherently distinctive trademark will also be eroded as a result of plain packaging measures and also by mandating the use of deceptively similar marks on products will affect the trademark owner's right to prevent users that are likely to result in confusion.<sup>28</sup>

Tribunal dismissing all the claims answered that a reduction in the occurrence of infringement through reduced distinctiveness would not constitute a reduction in the right to prevent such infringements required under Article 16.1.<sup>29</sup> Article 16.1 does not establish a trademark owner's right to use its registered trademark but only provides for a right to prevent certain activities by unauthorized third parties.<sup>30</sup> Therefore, the tribunal rejected the contention, by claimants, that Article 16 provides a minimum opportunity to use a registered trademark.<sup>31</sup> Many tribunals<sup>32</sup> on different occasions have held a similar view that express right is in negative terms. Also, Mark Davison in his article, criticizing the claim brought forward under Article 15 and 16 by the claimants state that the "only way of succeeding the claim made is through the reversal of a previous WTO panel decision<sup>33</sup> which held that there is no right to use a trademark, not considering the actual words of the provisions, dynamic change in the approach of the interpretation of the provisions of the TRIPS Agreement and denial of one of providing the policy space for governmental regulation of the use of Intellectual Property".<sup>34</sup> Davison and Emerton in their article, discussing the theory of rights and privileges with the support of trademark provisions in the TRIPS Agreement conclude that trademark owner does not have right to use their trademark but just the privilege.<sup>35</sup> Anyway, the right holder's right of exclusion is preserved and the measures apply equally

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<sup>27</sup> PANEL REPORT, *supra* note 8.

<sup>28</sup> *Id.*, ¶ 7.1916.

<sup>29</sup> *Id.*, ¶ 7.2014.

<sup>30</sup> *Id.*, ¶ 7.1978.

<sup>31</sup> *Id.*, ¶ 7.2030.

<sup>32</sup> Philip Morris Products SA v. Oriental Republic of Uruguay, ICSID Case No. ARB/10/7 (Jul. 8, 2016) at ¶ 271.

<sup>33</sup> British American Tobacco v. Department of Health, 2016 EWHC 1169.

<sup>34</sup> MARK DAVISON, *supra* note 21.

<sup>35</sup> Mark Davison and Patrick Emerton, *Rights, Privileges, Legitimate Interests, and Justifiability: Article 20 of TRIPS and Plain Packaging of Tobacco*, 29 AM U INT'L L REV 508 (2014) (hereinafter 'Davison and Emerton').

to everyone without any biasness. Also, still, the tobacco products of different manufacturers can be distinguished through word trademark.

Contradictorily, WIPO states there is a positive right of use of the trademark and it would be contradictory if such a positive right of use is not granted while imposing an obligation to use however it is subject to other laws and rights.<sup>36</sup> Frankel and Geravis say that “the rights of trademark owners are limited but they make little sense if seen as mere rights to exclude”.<sup>37</sup> Similarly, Heydon J, giving his dissent view<sup>38</sup>, states that there is a positive right of use and the proprietors who have retained the right as owners of intellectual property to exclude others from its use are hollow.

Though there is no right to use guaranteed by the registration of a trademark, if any measure is adopted by the government for the protection of public health then the use of a sign can be prohibited if it jeopardizes the policy objectives.<sup>39</sup> “But the trademark of the right holder has to seen from various spectrums such as rights and duties, privileges and “no-right”, and powers and liabilities, as there exist various relationships between parties, and they all interact at some point, rather than general slogans such as that ‘trademarks were made to be used.’”<sup>40</sup>

“Member’s compliance with the obligation to provide the right to prevent trademark infringements under Article 16.1 is independent of whether such infringements actually occur in the market. Article 16.1 does not require Members to refrain from regulatory measures that may affect the ability to maintain the distinctiveness of individual trademarks or to provide a “minimum opportunity” to use a trademark to protect such distinctiveness.”<sup>41</sup> In order to be eligible for the protection, distinctiveness may be the criteria but there is no right to distinctiveness. Also, there cannot be a loss of distinctiveness as a

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<sup>36</sup> *Introduction to Trademark Law and Practice*, WORLD INTELLECTUAL PROPERTY ORGANIZATION, 51 (1993), [https://www.wipo.int/edocs/pubdocs/en/wipo\\_pub\\_653.pdf](https://www.wipo.int/edocs/pubdocs/en/wipo_pub_653.pdf)

<sup>37</sup> FRANKEL AND GERVAIS, *supra* note 24, at 1181.

<sup>38</sup> *JT International SA v. Commonwealth of Australia*, (2012) HCA 43.

<sup>39</sup> Enrico Bonadio, *Are Brands Untouchable? How Availability and Use of Trademarks can be Restricted for Furthering Public Interests*, 1 CHARLOTTE INTELLECTUAL PROPERTY JOURNAL12 (2014).

<sup>40</sup> DAVISON AND EMERTON, *supra* note 35, at 521.

<sup>41</sup> PANEL REPORT, *supra* note 8 at ¶ 7.2031.

result of the non-use of a trademark because a sign may still be able to distinguish the goods or services.<sup>42</sup>

This fundamental feature of intellectual property protection grants Members the freedom to pursue legitimate public policy objectives since many measures to attain those public policy objectives lie outside the scope of intellectual property rights and do not require an exception under the TRIPS Agreement.<sup>43</sup>

### C. Article 16.3

The issue regarding well-known trademark was claimed that the measures of plain packaging are in violation of Article 16.3 of the TRIPS Agreement read with Article 6*bis* of the Paris Convention as “it prevents existing well-known tobacco trademarks from maintaining their well-known trademark status and also prevent other registered tobacco trademarks from attaining well-known trademark status through use”.<sup>44</sup> On this matter, the tribunal ruled that none of the provisions of the Australian plain packaging measures hinders the process of refusal or cancellation of the registration and the prohibition of the use of a trademark that conflicts with a well-known mark where the conditions set out in Article 6*bis* and Article 16.3 are met.<sup>45</sup> “The Agreement does not oblige Members to ensure that private parties are in a position to fulfill such criteria or to refrain from regulations otherwise not inconsistent with the covered agreements that may affect the market conditions that determine how easy or difficult it is for private parties to comply with such criteria.”<sup>46</sup> “Being well known is a condition precedent to the conferral of the rights to prevent others using a well-known trademark. There is no right to use sufficiently to maintain well-known status or to use an, as yet not well-known trademark sufficiently so that it can become well known.”<sup>47</sup>

<sup>42</sup> Carlos M. Correa, *Is a Right to Use Trademarks Mandated by the TRIPS Agreement?*, 1 JOURNAL OF INTERNATIONAL TRADE 100 (2016).

<sup>43</sup> Panel Report, European Communities — Protection of Trademarks and Geographical Indications for Agricultural Products and Foodstuffs, WTO Doc. WT/DS290/R (adopted 15 Mar. 2005) at ¶ 7.246.

<sup>44</sup> PANEL REPORT, *supra* note 8 at ¶ 7.2054, ¶ 7.2056-2066 and ¶ 7.2067-7.2074.

<sup>45</sup> *Id.*, ¶ 7.2099.

<sup>46</sup> *Id.*, ¶ 7.2121.

<sup>47</sup> MARK DAVISON, *supra* note 21.

## D. Article 20

Article 20<sup>48</sup> in its first sentence, prevents the member from the imposition of the special requirements which “unjustifiably encumber” the use of a trademark in the course of trade, and the second sentence, states the permissible requirements.<sup>49</sup> Therefore, in order to substantiate the violation of the obligation of the first sentence of Article 20, the WTO panel in the Australian plain packaging case laid down three essential elements<sup>50</sup>:

- a) The existence of “special requirements”;
- b) That such special requirements “encumber” “the use of a trademark in the course of trade”; and
- c) That they do so “unjustifiably”.

The wordings of this provision imply the existence of justifiable reasons which will allow the reasonable encumbrances on the use of a trademark. However, the provision nowhere lays down the reasons which can be considered as good reasons. In this context, the WTO panel referred to the other provisions of the TRIPs Agreement for the guidance like first recital of the preamble to the TRIPs Agreement, Article 7 entitled ‘Objectives’, and Article 8 entitled ‘Principles’. These three provisions set the “general goals and principles underlying the TRIPs Agreement”<sup>51</sup> which has to be referred while interpreting the specific provisions of the Agreement.

The panel found that there is no alternative measure that “would be apt to make a contribution to Australia’s objective equivalent to that of the TPP measures”.<sup>52</sup> It was also observed that the requirement of the plain packaging measures was not meant “to address individual trademark and their specific features, but to contribute to the overall policy of standardizing packaging and product appearance”.<sup>53</sup>

<sup>48</sup> Agreement on Trade-Related Aspects of Intellectual Property Rights, Apr. 15, 1994, Marrakesh Agreement Establishing the World Trade Organization, annex. 1C, 1869 U.N.T.S. 299, 33 I.L.M. 1197 (1994).

<sup>49</sup> PANEL REPORT, *supra* note 8 at ¶ 7.2155.

<sup>50</sup> *Id.*, ¶ 7.2156.

<sup>51</sup> *Id.*, ¶ 7.2402.

<sup>52</sup> *Id.*, ¶ 7.2600.

<sup>53</sup> *Id.*, ¶ 7.2603.

The tribunal found that the trademark requirements of the Australian plain packaging measures which restrict the use of words marks to certain forms and the use of stylized word marks, composite marks, and figurative marks in the specified situations, “amount to special requirements that encumber the use of a trademark in the course of trade”.<sup>54</sup> However, Article 20 permits such requirements if they are justified with legitimate reasons. The drafter of the Agreement deliberated through Article 20 to strike the balance between the existence of a legitimate interest of trademark owners in using their trademarks in the marketplace, and the right of WTO Members to adopt measures for the protection of certain societal interests that may adversely affect such use.<sup>55</sup> It was ruled that the complainants have not demonstrated that Australia has acted beyond the bounds of the latitude available to it under Article 20 to choose an appropriate policy intervention to address its public health concerns in relation to tobacco products, in imposing certain special requirements under the measures that encumber the use of trademarks in the course of trade.<sup>56</sup>

Peter Yu, quoting Professor Correa, says that for determining the consistency with the TRIPS Agreement, it “should be assessed in the light of Article 7 and of the preamble that is, taking the balance of rights and obligations and the social and economic welfare into account”.<sup>57</sup> Further, he observes that Article 7, per se, could already function as a ‘shield’ in actions brought to challenge State autonomy when it comes to issues of public health and the conflict with intellectual property rights.<sup>58</sup> Alison states that the Australian plain packaging case presented “fertile ground for the application of good faith interpretation in a public health context” to the WTO.<sup>59</sup> WTO tribunal is under a good faith obligation to have full regard to the object and purpose of the Agreement as contained within Articles 7 and 8. Article 7, as a form of

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<sup>54</sup> *Id.*, ¶ 7.2292.

<sup>55</sup> *Id.*, ¶ 7.2429.

<sup>56</sup> *Id.*, ¶ 7.2604.

<sup>57</sup> Peter K. Yu, *The Objectives and Principles of TRIPS Agreement*, 46 HOUSTON LAW REVIEW 1014 (2009) (hereinafter ‘Yu’).

<sup>58</sup> *Id.*, at 1025.

<sup>59</sup> Alison Slade, *Good Faith and the Trips Agreement: Putting Flesh on the Bones of the Trips ‘Objectives’*, 63 INT’L & COMP LQ 369 (2014).

the good faith principle, expressly requires the balancing of rights and obligations.<sup>60</sup>

It is very rightly pointed out that “the inclusion of the concept of justifiability introduces into the interpretation and application of Article 20 precisely the sort of balancing act that is involved in considering the interplay between right, privileges and legitimate interests of different parties.”<sup>61</sup> Therefore, while interpreting any encumbrance to be either justifies or not, the legitimate interest of both trademark owner and government has to be considered.

Although the main purpose of the TRIPS Agreement is to safeguard intellectual property rights but the public policy space has also to be secured as mentioned under Article 8.<sup>62</sup> Therefore, governments cannot be prevented from taking justified measures solely on the ground that it may negatively affect the distinctive character of a trademark.

On the circumstances where a government’s legitimate interest has been internationally recognized then “it may give rise to a claim right that defeats the privilege of use, hence government’s power to restrict that use is not limited by Article 20”.<sup>63</sup> And the government’s interest in protecting public health has been recognized in “Paragraph 4 of the Doha Ministerial Declaration states that the TRIPS Agreement does not and should not prevent members from taking measures to protect public health”.<sup>64</sup> The Paragraph further notes that the TRIPS Agreement “can and should be interpreted and implemented in a manner supportive of WTO members’ right to protect public health”.<sup>65</sup>

#### E. Other provisions

Article 6 quinquies of the Paris Convention and Article 2.1 of the TRIPS was also interpreted, the tribunal stated the plain packaging measures is not in violation of those provisions as “filing and protection

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<sup>60</sup> *Id.*, at 373.

<sup>61</sup> DAVISON AND EMERTON, *supra* note 35, at 567.

<sup>62</sup> CORREA, *supra* note 42.

<sup>63</sup> DAVISON AND EMERTON, *supra* note 35, at 567.

<sup>64</sup> Declaration on the TRIPS Agreement and Public Health, DOHA WTO MINISTERIAL 2001, WT/MN(01)/DEC/2, Adopted on 14 November 2001, at ¶ 4.

<sup>65</sup> Yu, *supra* note 57, at 996.

of the trademark, duly registered in the country of origin, ‘as is’ is not denied, on the basis that they restrict the use of certain trademarks on tobacco retail packaging and products.”<sup>66</sup> Further, the measures neither compel market actors to engage in acts of unfair competition of such a nature as to create confusion nor engage in acts amounting to misleading indications or allegations within the meaning of Article 10 *bis*(3)(3), Paris Convention.<sup>67</sup>

#### IV. POSSIBILITY OF EXTENSION OF PLAIN PACKAGING TO DIFFERENT SECTORS

Peter Yu very rightly points that Article 8.1 is ambiguous over what constitutes the necessary measures for “promoting the public interest in sectors of vital importance.”; it does not offer any definition of the relevant sectors.<sup>68</sup> Given no clarity on this provides the discretion to the members to expand the definition of the relevant sectors according to the legitimate interest. In this regard, the International Trademark Association (INTA) expressed the concern asking the WTO Appellate Board to look into the plain packaging measures as it may have a highly negative effect that would limit not only to the tobacco industry but across all sectors of consumer goods.<sup>69</sup>

After getting the green signal from the WTO panel on the plain packaging in tobacco products, the impact of the plain packaging can be seen in different sectors mainly food, alcohol, sugary drinks, etc. Like the tobacco epidemic, today obesity is the “most blatantly visible yet most neglected public health problem.”<sup>70</sup> This has alarmed governments of different countries, hence prompted to take immediate actions for their citizens before they suffer from an array of serious health problems. The consumption of unhealthy food, alcoholic beverages has become the routine of most of the world population. It is “a toxic and

<sup>66</sup> PANEL REPORT, *supra* note 8 at ¶ 7.1774.

<sup>67</sup> *Id.*, ¶ 7.2724.

<sup>68</sup> Yu, *supra* note 57, at 1011.

<sup>69</sup> *International Trademark Association Files Amicus Curiae Brief Citing Continuing Concerns with Australia’s Plain Packaging Tobacco Law*, (Feb. 15, 2021), <https://www.inta.org/Press/Pages/WTO-Plain-Packaging-Amicus-Brief-Jan-2019.aspx>.

<sup>70</sup> *Controlling the Global Obesity Epidemic*, WHO.INT (Feb. 14, 2021), <https://www.who.int/nutrition/topics/obesity/en/>.

psychoactive substance with dependence producing propensities, which leads to the 3 million deaths each year globally, disabilities and poor health of millions of people and harmful use of alcohol are responsible for 5.1% of the global burden of disease.”<sup>71</sup>

Plain packaging in the food and alcohol sector will make the shelf of the supermarket appear like no appealing colorful wrappers for the chips/chocolates, small font size of the trademark, graphical representation of problems relating to obesity or of the damaged liver for alcohol or decayed teeth/ scurvy gum for a sweetened drink or putting labels like “Obesity is Harmful”, “Consumption of this will make you obese”, “Avoid Obesity, Live Long.”

#### A. Examples of the trend of extension of plain packaging

Recently, the Government of Chile introduced measures to regulate the food industry whereby well-known characters have to be removed from packaging on food products exceeding the recommended levels of sugar and salt.<sup>72</sup> In response to the aggressive marketing of unhealthy foods and alcohols, they are required to put “octagonal black labels, printed with the words “*alto en*” (high in)”<sup>73</sup> and “products having the warning labels are prohibited from using any licensed or brand character, or child-targeted imagery.”<sup>74</sup> The reaction for the same was like, the opening line of the New York Times article reads, “They killed Tony the Tiger. They did away with Cheetos’ Chester Cheetah.”<sup>75</sup> PepsiCo and Kellogg’s filed a case claiming that Chilean Regulation is infringing their intellectual property rights, the decision is pending. A case was also filed in 2016 by Chile against Kellogg’s, Nestle, and Master foods,

<sup>71</sup> *Alcohol*, WHO.INT (Feb. 13, 2021), [https://www.who.int/health-topics/alcohol#tab=tab\\_1](https://www.who.int/health-topics/alcohol#tab=tab_1).

<sup>72</sup> Tom Azzopardi, *Trademarks/Public Health: Kellogg’s, Pepsico, Nestle defend Trademarks from Chile Obesity Law*, 31 W.I.P.R. 7-8 (2017).

<sup>73</sup> Eileen Smith, *Chile Battles Obesity with Stop Signs on Packaged Foods*, NPR.ORG (Feb. 20, 2021), <https://www.npr.org/sections/thesalt/2016/08/12/486898630/chile-battles-obesity-with-stop-signs-on-packaged-foods>.

<sup>74</sup> Camila Corvalán, *What the World will Learn from Chile’s Bold Policy to Curb Obesity*, BLOOMBERG PHILANTHROPIES (Feb. 20, 2021), <https://www.bloomberg.org/blog/world-will-learn-chiles-bold-policy-curb-obesity/>.

<sup>75</sup> Andrew Jacobs, *In Sweeping War on Obesity, Chile Slays Tony the Tiger*, NYTIMES.COM (Feb. 21, 2021), <https://www.nytimes.com/2018/02/07/health/obesity-chile-sugar-regulations.html>.



for they continued using cartoon characters on their product.<sup>76</sup> To which they argued that they have a right to use the illustrated children's characters as brand symbols, thereby asserting a link to its intellectual property rights.<sup>77</sup> In 2014, a California Senate Committee approved a bill to mandate warning labels on sugary beverages reading: "STATE OF CALIFORNIA SAFETY WARNING: Drinking beverages with added sugar contributes to obesity, diabetes, and tooth decay."<sup>78</sup> "In 2016, Public Health England called for plain packaging to be considered for alcohol while in 2018 Ireland passed the Public Health (Alcohol) Act which makes health warnings on packaging compulsory."<sup>79</sup> It is a step to stop alcohol advertisement in a style that appeals to consumers and mostly youth.

These legislations are the cause of worry for the trademark holders because the labelling requirements will reduce the space for the trademark or in some cases, they are denied permission to use certain characters. Brand Finance, an independent branded business valuation consultancy, notes that "to apply plain packaging to alcohol, confectionery, salty snacks, and sugary drinks would render some of the world's most iconic brands unrecognizable."<sup>80</sup>

#### B. Validity of the extension?

Article 20 of TRIPS is the central point to decide whether these plain packaging measures if adopted, will be consistent with the TRIPS Agreement. The manner of determination of whether an encumbrance is "unjustifiable" will depend on the circumstance of the case.<sup>81</sup> The main premises of the plain packaging measures is not the target of the special

<sup>76</sup> Ignacio Carreno and Tobias Dolle, *The Relationship between Public Health and IP Rights: Chile Prosecutes Kellogg's, Nestle and Masterfoods for using Cartoons Aimed at Attracting Children*, 8 EUROPEAN JOURNAL OF RISK REGULATION, 170 (2017).

<sup>77</sup> *Id.*, 174.

<sup>78</sup> Maggie Hennessy, *CA Soda Warning Label: Commonsense or Red-Tape Nightmare?*, FOODNAVIGATOR-USA.COM (Feb. 23, 2021), <https://www.foodnavigator-usa.com/Article/2014/04/24/CA-soda-warning-label-commonsense-or-red-tape-nightmare>.

<sup>79</sup> Rachel Arthur, *Plain Packaging Could Put Billions of Dollars at Stake in the Beverage Industry, Says Report*, BEVERAGEDAILY.COM (Feb. 23, 2021), <https://www.beveragedaily.com/Article/2019/10/01/Plain-packaging-could-cost-beverage-industry-billions-says-Brand-Finance> (hereinafter 'Arthur').

<sup>80</sup> *Id.*

<sup>81</sup> PANEL REPORT, *supra* note 8 at ¶ 7.2530.

feature of the particular trademark but the generic, plain appearance of the particular product which will minimize the appeal and diminish the effectiveness of graphic health warnings. Basing on this logic, if any government is bringing such measures for the protection of their citizen's health, then it should be termed as 'justified encumbrance' under Article 20 of the TRIPS Agreement. The principles of TRIPS are provided in Article 8<sup>82</sup> which is very clear words prohibits the abuse of IPRs but allows adoption of measures for protecting public health and nutrition provided the measures taken are consistent with TRIPS.

The trademark performs the function of not only distinctiveness but also assist the consumer in establishing the preference based on the taste it implies. Also, the appealing trade dress can be a tool to lure consumers which might be harmful. Therefore, no interpretation of the TRIPS Agreement should be supported which leads to the absolute right to use trademarks and hence restrict the government from adopting the measures to protect the public interest.

#### V. ANALYSIS OF THE VARIOUS CRITICISM OF PLAIN PACKAGING MEASURES

Some scholars<sup>83</sup> have raised the argument against plain packaging stating unlike the objective of plain packaging to deter tobacco consumption, it could lead to an increase as the option left for the tobacco manufacturers to compete and sustain in the market will be by making the prices cheaper and affordable. Even Heydon J said that the cigarettes being fungible goods the only areas of competition between rival manufacturers lie in price and advertising.<sup>84</sup> This leads us to think about whether advertisement through packaging being prohibited, does the price factor negate the intention of the plain packaging measure. This requires the collection of data and analysis, from the country implementing the plain packaging measures and the cost of the

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<sup>82</sup> Agreement on Trade-Related Aspects of Intellectual Property Rights, Apr. 15, 1994, Marrakesh Agreement Establishing the World Trade Organization, annex. 1C, 1869 U.N.T.S. 299, 33 I.L.M. 1197 (1994), art. 8.

<sup>83</sup> Alberto Alemanno and Enrico Bonadio, *The Case of Plain Packaging of Cigarettes*, 1 EUR. J. RISK REG., 268 (2010) (hereinafter 'Alemanno and Bonadio').

<sup>84</sup> JT International SA v. Commonwealth of Australia, 2012 HCA 43.

tobacco. However, pricing cannot be alternative in this case but is just complementary in order to achieve the policy objectives. The panel, on the contention of taxation as the alternative to plain packaging, states that it cannot be called substitution.<sup>85</sup>

Alemanno and Bonadia suggest the alternatives like ‘educational campaigns, health information’<sup>86</sup>, it may be termed as less invasive instruments but are not viable options. There are sufficient attempts being made in society to stop people from consuming tobacco or other unhealthy products, these programs are not effective. For instance, despite knowing the side effects of consumption of, for instance, potatoes, people still prefer eating French fries. Also, the panel denied the social marketing scheme as a substitution.<sup>87</sup> Though the complainants in plain packaging dispute made the argument based on trade-restrictiveness but we can take the logic for the analysis of “justified encumbrance” under Article 20.

Another criticism was made saying “it will merely increase the search cost and burden the consumer”<sup>88</sup> but not deter the public from consuming. This seems vague as the impact of the graphic image cannot be ruled out simply. Further, it was shown that plain packaging is effective only in respect to the non-smoker population, the people who smoke will any way continue smoking and the people who are determined to quit smoking will anyway quit despite the plain packaging.<sup>89</sup> The smoker will any way look for the brand they smoke but the fact that the probability of who has never smoked getting attracted cannot be ignored.

Marsoof has suggested a compromise whereby in order to preserve the function of a trademark, there should be a removable trademark sticker on product which the seller should, as compelled by the law,

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<sup>85</sup> PANEL REPORT, *supra* note 8 at ¶ 7.1544.

<sup>86</sup> ALEMANNO AND BONADIO, *supra* note 83, at 269.

<sup>87</sup> PANEL REPORT, *supra* note 8 at ¶ 7.1622.

<sup>88</sup> Kristen Lease, *Smoke ‘Em If You Got ‘Em: Intellectual Property Rights in the Tobacco Industry Going Up in Smoke*, 48 CASE WESTERN RESERVE JOURNAL OF INTERNATIONAL LAW, 373 (2016).

<sup>89</sup> Althaf Marsoof, Chen Lou and Hye Kim, *Plain Packaging and Tobacco Trade Marks: A Constitutional and Empirical Study from Singapore*, 41 EUROPEAN INTELLECTUAL PROPERTY REVIEW, 572 (2019).

remove after the sell and then product will be have complete health warnings.<sup>90</sup> In no way this will deter the consumer from consuming the products as already the trademark would have lured them towards the product.

According to the report from Brand Finance, these measures could lead to estimated potential loss of beverage business of around \$430 billion.<sup>91</sup> In accordance to the TRIPS preamble, even though IPR is recognized as private rights but that does not rule out the possibility of the government's regulatory intervention.<sup>92</sup>

## VI. CONCLUSION

After going through numerous literatures and the decision of the WTO panel in the plain packaging case, it is established that the plain packaging measures which prohibit the trademark owners from using the trademark and applying the standardized packaging is in compliance with the TRIPS Agreement. It has been seen above that the tribunals have affirmed that TRIPS do not provide for the positive right of use of the trademark. The interpretation of the provisions of the Agreement by the WTO tribunal and specifically Article 20 has given the sufficient policy scope to the governments to formulate policies to protect the public health. The panel suggested that whether encumbrance is justified will be determined on the case-to-case basis leaves room for ambiguity.

The impact of the approval of tobacco plain packaging measures, as being a justified step for protecting public health, could be extensive. The plain packaging decision has led to the adoption of an expansive approach to intellectual property rights with the backing from the objectives, principles, and provisions of the TRIPS. If the government has a significant interest, then it can adopt the regulation which might create hindrance in the trademark owner's exercise of the privilege of use.

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<sup>90</sup> Althaf Marsoof, *The TRIPs Compatibility of Australia's Tobacco Plain Packaging Legislation*, 16 THE JOURNAL OF WORLD INTELLECTUAL PROPERTY, 211 (2013).

<sup>91</sup> ARTHUR, *supra* note 79.

<sup>92</sup> UNCTAD-ICTSD RESOURCE BOOK ON TRIPS AND DEVELOPMENT, CUP, 11 (2005), [https://unctad.org/en/PublicationsLibrary/ictsd2005d1\\_en.pdf](https://unctad.org/en/PublicationsLibrary/ictsd2005d1_en.pdf).

The case filed by PepsiCo and Kellogg's claiming their intellectual property rights are infringing, though has not been adjudicated but based on the analysis, it is more likely to be rejected as in no instance can the private right of intellectual property rights be weighed more than the adoption of measures for the betterment of the public health. Brands can therefore be subject to regulatory interventions which impair their ability to be exploited in the course of trade.<sup>93</sup> However, there are concerns among intellectual property rights holders that their complete flexibilities to exploit the IP portfolio will be affected. There is no denial that though the plain packing is TRIPS compliance, but its extension to different sectors presents a slippery slope and therefore calls for the mechanism to balance intellectual property protection keeping in mind the issues of public health.

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<sup>93</sup> Enrico Bonadio, *Bans and Restrictions on the Use of Trademarks and Consumers*, 4 INTELLECTUAL PROPERTY QUARTERLY, 337 (2014).