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Implications of WTO Law for Plain Packaging of Tobacco Products

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IMPLICATIONS OF WTO LAW FOR PLAIN PACKAGING OF TOBACCO PRODUCTS[*]

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[*The Australian federal government recently released an exposure draft of legislation to introduce a scheme for the mandatory 'plain packaging' of cigarettes and other tobacco products from 2012. The scheme will prohibit the use of brand logos, graphics and colours on tobacco products and packaging manufactured or sold in Australia or imported into Australia. All packages will be the same dark olive brown colour, largely taken up by graphic and textual health warnings, with brand names appearing in the same font and limited size. As Australia is set to become the first country in the world to implement such a scheme, its outcome will establish a critical precedent for both tobacco control interests and tobacco companies. Unsurprisingly, the scheme is already coming under attack through extensive advertising campaigns funded by tobacco companies and allegations of domestic and international legal violations, some of which have reached the level of formal complaints in bilateral and multilateral fora. This chapter critically analyses claims that plain packaging as envisaged by Australia would breach various agreements of the World Trade Organization. We explain in particular why the scheme is consistent with the TRIPS Agreement, the TBT Agreement, and the GATT 1994, and not covered by the SPS Agreement.*]

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I INTRODUCTION

The fight against Australia's scheme for the plain packaging of cigarettes[1] seems to be gearing up not only in the domestic context[2] but also in the international sphere. Forewarnings of likely responses within the World Trade Organization ('WTO') were already found in the complaints brought against measures introduced by Canada and the United States against the use of certain additives and flavourings in cigarettes and related products.[3] The former has been repeatedly challenged in comments made by numerous Members within the Committee on Technical Barriers to Trade,[4] while the latter is the subject of a formal WTO dispute settlement claim by Indonesia.[5] Concerns had also been raised in WTO committees about other tobacco and alcohol control measures, such as measures by Brazil and Thailand.[6] More specifically, rumours abound as to the likelihood of a WTO claim against Australia's plain

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1 See Australian Government, *Consultation Paper: Tobacco Plain Packaging Bill 2011 – Exposure Draft* (7 April 2011); Australian Government, *Tobacco Plain Packaging Bill 2011 – Exposure Draft* (7 April 2011).

2 See, eg, Belinda Merhab, 'Cigarette packaging appeal expedited', *The Sydney Morning Herald* (Sydney), 7 June 2011.

3 See generally Andrew Mitchell and Tania Voon, 'Regulating Tobacco Flavours: Implications for WTO Law' (2011) 29(2) *Boston University International Law Journal* 383.

4 See, eg, WTO Committee on Technical Barriers to Trade, *Note by the Secretariat: Minutes of the Meeting of 5-6 November 2009*, WTO Doc G/TBT/M/49 (22 December 2009) [8]-[16]; WTO Committee on Technical Barriers to Trade, *Note by the Secretariat*: *Minutes of the Meeting of 23-24 June 2010*, WTO Doc G/TBT/M/51 (1 October 2010) [181]-[216].

5 Request for the Establishment of a Panel by Indonesia, *United States – Measures Affecting the Production and Sale of Clove Cigarettes*, WTO Doc WT/DS406/2 (11 June 2010).

6 See, eg, WTO Committee on Technical Barriers to Trade, *Note by the Secretariat: Minutes of the Meeting of 23-24 June 2010*, WTO Doc G/TBT/M/51 (1 October 2010), paras 237-251; WTO, *News item: Members concerned about public health* (24-25 March 2011).

packaging scheme,[7] and these seem supported by concerns expressed by Members in committee meetings as discussed further below, as well as the recent action launched by Philip Morris Asia Limited against Australia[8] pursuant to Australia's Bilateral Investment Treaty with Hong Kong.[9]

Two WTO agreements are likely to form the basis of any formal challenge brought against Australia in the WTO dispute settlement system, as well as any more general complaints about Australia in WTO committees: the *Agreement on Trade-Related Aspects of Intellectual Property Rights* ('TRIPS Agreement')[10] and the *Agreement on Technical Barriers to Trade* ('TBT Agreement').[11] Below, we first examine in Part II potential arguments that tobacco companies and their advocates might make under the TRIPS Agreement, as this agreement has formed the focus of legal advice from the pro-tobacco perspective that has been made publicly available to date. Before turning to address possible claims under the TBT Agreement in Part IV, we refer briefly in Part III to the WTO's *Agreement on the Application of Sanitary and Phytosanitary Measures* ('SPS Agreement'),[12] simply to explain why this agreement is inapplicable to plain cigarette packaging. Finally, in Part V we explain in brief why the *General Agreement on Tariffs and Trade 1994* ('GATT 1994')[13] does not preclude plain packaging, despite certain claims to the contrary.[14] We conclude that, although tobacco companies may have arguable points to make on certain limited issues, Australia has a robust position in maintaining that its plain packaging scheme is fully compatible with all its WTO obligations, when the relevant provisions are properly interpreted taking into account public health concerns.

II THE TRIPS AGREEMENT

A *Objections in the TRIPS Council and Reports by Lalive and Gervais*

On 7 June 2011, at the TRIPS Council meeting, 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

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7 See, eg, 'Big tobacco taps Malaysia to help scuttle packaging laws', *The Age* (Melbourne), 27 May 2011. See also 'Business groups seek USTR help in fighting Australian cigarette law' (24 June 2011) 29(25) *Inside US Trade*.

8 Philip Morris Limited, *News Release: Philip Morris Asia Initiates Legal Action Against the Australian Government Over Plain Packaging* (27 June 2011). See also, eg, Chris Kenny, 'Big tobacco ignites legal war', *The Australian*, 27 June 2011; International Centre for Trade and Sustainable Development, 'Philip Morris Launches Legal Battle Over Australian Cigarette Packaging' 15(24) *Bridges Weekly Trade News Digest* (29 June 2011).

9 *Agreement between the Government of Hong Kong and the Government of Australia for the Promotion and Protection of Investments* (signed 15 September 1993).

10 *Marrakesh Agreement Establishing the World Trade Organization*, opened for signature 15 April 1994, 1867 UNTS 3 (entered into force 1 January 1995) annex 1C.

11 *Marrakesh Agreement Establishing the World Trade Organization*, opened for signature 15 April 1994, 1867 UNTS 3 (entered into force 1 January 1995) annex 1A.

12 *Marrakesh Agreement Establishing the World Trade Organization*, opened for signature 15 April 1994, 1867 UNTS 3 (entered into force 1 January 1995) annex 1A.

13 *General Agreement on Tariffs and Trade*, LT/UR/A-1A/1/GATT/2 (signed 30 October 1947), as incorporated in *Marrakesh Agreement Establishing the World Trade Organization*, opened for signature 15 April 1994, 1867 UNTS 3 (entered into force 1 January 1995) annex 1A.

14 See, eg, British American Tobacco Australia, *Submission on the Tobacco Plain Packaging Bill 2011* (6 June 2011) 9.

Agreement, including TRIPS Article 20. Supporting the Dominican Republic's stance were other WTO Members Honduras, Nicaragua, Ukraine, the Philippines, Zambia, Mexico, Cuba and Ecuador. In contrast, New Zealand, Uruguay and Norway supported Australia's draft law, while India referred to studies showing the effectiveness of plain packaging in reducing smoking. India, Brazil and Cuba all emphasised the right of Members to implement public health policies, as noted in the Doha Declaration on TRIPS and Public Health.[15] The WHO also made a statement in its role as an observer in the TRIPS Council.[16]

At least two published reports[17] contain legal advice to the effect that regulatory measures mandating plain packaging of cigarettes, of the kind envisaged in Australia, could be contrary to the TRIPS Agreement. One was prepared for Philip Morris International Management SA in 2009 by Swiss-based law firm Lalive,[18] and the other for Japan Tobacco International in 2010 by respected intellectual property academic, Professor Daniel Gervais of Vanderbilt University Law School.[19] The Gervais report concludes that, '[t]o the extent that the WTO Member [such as Australia] cannot satisfy the burden of showing that … plain packaging … will achieve its legitimate public policy objectives, the measure can be expected to be found incompatible with TRIPS'.[20] Gervais repeatedly emphasises that he is not addressing normative questions or any specific government measure[21] (although he does mention the Australian and certain other proposals).[22] The Lalive report is more emphatic, indicating that plain packaging is 'in clear breach … of WTO members' international obligation to protect valid intellectual property rights'.[23]

Below, we examine in more detail the reasoning and conclusions of the two reports. We begin with certain provisions that the Lalive report claims are breached by plain packaging but that the Gervais report merely relies on in establishing other breaches: specifically, Articles 2.1, 15.4 and 17 of the TRIPS Agreement. (These provisions and

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15 WTO, *News Item: Members debate cigarette plain-packaging's impact on trademark rights* (7 June 2011). The minutes of the meeting prepared by the Secretariat are not publicly available at the time of writing.

16 WHO, *Statement of the World Health Organization: WTO TRIPS Council* (7 June 2011).

17 See also Julius Katz and Richard Dearden, 'Plain packaging & international trade treaties' in JC Luik (ed), *Plain Packaging and the Marketing of Cigarettes* (Admap Publications, 1998) 111; British American Tobacco Australia, *Submission on the Tobacco Plain Packaging Bill 2011* (6 June 2011) 8-9.

18 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* (23 July 2009).

19 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* (30 November 2010).

20 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* (30 November 2010) 4; see also [115].

21 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* (30 November 2010) [2], [5], [11], [70], [85], [103], [112].

22 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* (30 November 2010) [14], [43].

23 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* (23 July 2009) [4].

their applicability to plain cigarette packaging are discussed in more detail by Professor Mark Davison in Chapter 4 of this book.) We then turn to a close analysis of TRIPS Article 20, which both the Lalive report and the Gervais report suggest may be breached by plain packaging. While Article 20 does appear to provide the basis for a more arguable claim by the pro-tobacco lobby, in our view a strong argument exists, backed by existing evidence, that plain packaging does not breach that provision.

B *Registrability and the Nature of Trademark Rights*

1 *Distinction between trademark registration and use: TRIPS Art 2.1 and 15.4*

Article 2.1 of the TRIPS Agreement provides that WTO 'Members shall comply with Articles 1 through 12, and Article 19, of the Paris Convention (1967)'[24] in respect of Parts II, III and IV of the TRIPS Agreement. TRIPS Article 2.2 continues that 'Nothing in Parts I to IV of [the TRIPS Agreement] shall derogate from existing obligations that Members may have to each other under the Paris Convention' or certain other treaties. Thus, as a party to the Paris Convention as well as a Member of the WTO, Australia is obliged to comply with the Paris Convention as a matter of international law with respect to other Paris Convention parties, and it is also obliged to comply with the Paris Convention provisions incorporated into the TRIPS Agreement by virtue of TRIPS Article 2.1.[25]

Article 6 *quinquies* (B) of the Paris Convention, which provision is incorporated into the TRIPS Agreement pursuant to TRIPS Article 2.1, provides:

> Trademarks covered by this Article may be neither denied registration nor invalidated except in the following cases: …
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> (i) when they are of such a nature as to infringe rights acquired by third parties in the country where protection is claimed;
>
> (ii) when they are devoid of any distinctive character, or consist exclusively of signs or indications which may serve, in trade, to designate the kind, quality, quantity, intended purpose, value, place of origin, of the goods, or the time of production, or have become customary in the current language or in the bona fide and established practices of the trade of the country where protection is claimed;
>
> (iii) when they are contrary to morality or public order and, in particular, of such a nature as to deceive the public. …

In general, a tobacco trademark would not fall under the first or second paragraphs of Article 6 *quinquies* (B). As for the third paragraph, Gervais points out that 'this Article could not provide a justification for restricting tobacco trademarks generally'.[26] However, it could indeed be used to restrict certain deceptive trademarks,

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[24] *Paris Convention for the Protection of Industrial Property*, Stockholm Act, 14 July 1967.

[25] See Appellate Body Report, *United States – Section 211 Omnibus Appropriations Act of 1998*, WTO Doc WT/DS176/AB/R (adopted 1 February 2002) [125].

[26] 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* (30 November 2010) [61]. See also Nuno Pires de Carvalho, *The TRIPS Regime of Trademarks and Designs* (Kluwer, 2nd ed, 2011) 330-31. Cf Andrew Mitchell, 'Australia's Move to the Plain Packaging of Cigarettes and its WTO Compatibility' (2010) 5 *Asian Journal of WTO & International Health Law and Policy* 405, 416.

such as marks that use the words 'light' or 'mild' in connection with cigarettes in a manner that is likely to deceive the consumer into believing that those cigarettes are more healthy than any others.[27]

Moreover, Article 6 *quinquies* (B) is directed not towards the *use* of trademarks but towards their registration and validity (with invalidation referring to the cancellation of a trademark following registration).[28] Plain packaging does not prevent the registration of new trademarks or require the invalidation of any registered trademarks.[29] Indeed, the draft Australian legislation explicitly prevents the Registrar of Trade Marks from refusing to register or revoking the registration of a trade mark on the grounds that plain packaging requirements prevent the mark from being used or from distinguishing the relevant product.[30]

Thus, while Article 6 *quinquies* (B) may not provide a justification for plain packaging, it does not preclude plain packaging. This is so despite the contention in the Lalive report that both registration and invalidation 'both *imply* use'[31] and in the Gervais report that 'the *spirit* of the Paris Convention is to permit use'.[32] On this point, the Lalive report maintains that plain packaging entails a violation of Article 6 *quinquies* (B),[33] whereas the Gervais report simply indicates that such a violation is likely to arise 'if plain packaging measures were to lead to a denial of registration of trademarks because they are associated with tobacco products'.[34]

Article 15.4 of the TRIPS Agreement similarly relates to registration of trademarks, reproducing Article 7 of the Paris Convention to specify that:

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

Despite the clear reference to trademark registration and the fact that plain packaging does not affect registration, the Lalive report identifies plain packaging as contrary to TRIPS Article 15.4 because use of a trademark is 'inextricably linked to

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[27] See Benn McGrady, 'TRIPs and trademarks: the case of tobacco' (2004) 3(1) *World Trade Review* 53, 56, 59; Annette Kur, 'Marks for goods or services (trademarks*)' in Carlos Correa (ed), *Research Handbook on the Protection of Intellectual Property under WTO Rules: Intellectual Property in the WTO (Volume I)* (Edward Elgar, 2010) 408, 420.

[28] Carlos Correa, *Trade Related Aspects of Intellectual Property Rights: A Commentary on the TRIPS Agreement* (Oxford University Press, 2007) 179.

[29] See Andrew Mitchell, 'Australia's Move to the Plain Packaging of Cigarettes and its WTO Compatibility' (2010) 5 *Asian Journal of WTO & International Health Law and Policy* 405, 415-416.

[30] Australian Government, *Tobacco Plain Packaging Bill 2011 – Exposure Draft* (7 April 2011) s 15.

[31] 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* (23 July 2009) [20] (emphasis added).

[32] 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* (30 November 2010) [66] (emphasis added).

[33] 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* (23 July 2009) [25].

[34] 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* (30 November 2010) [68].

registration'.[35] Although Gervais does not suggest that plain packaging per se would be inconsistent with TRIPS Article 15.4 or Paris Convention Article 7, he sees Article 7 as 'an indicator that the *spirit* of the Paris Convention is to permit the use of marks'.[36] Yet, according to intellectual property ('IP') authority Correa, the negative nature of trademark rights as discussed in the next section means that 'Article 15.4 ... cannot be interpreted as preventing a Member from limiting or prohibiting the use of trademarks for the commercialization of goods or services based on *public health*, security, or other reasons'.[37]

2 *Distinction between negative and positive trademark rights: TRIPS Art 17*

Whether the Paris Convention or the TRIPS Agreement provide trademark owners with a right to use their mark becomes crucial in assessing the application of TRIPS Article 17 to plain packaging. Article 17 provides:

> Members may provide limited exceptions to the rights conferred by a trademark, such as fair use of descriptive terms, provided that such exceptions take account of the legitimate interests of the owner of the trademark and of third parties.

The Lalive report concludes that plain packaging breaches TRIPS Article 17 because it is not a 'limited' exception and does not 'take account of the legitimate interests' the owners of tobacco trademarks.[38] However, plain packaging does not even fall within the scope of Article 17 because it does not affect the rights conferred by a trademark.[39] As the Gervais report acknowledges, the TRIPS Agreement does not explicitly grant trademark owners a right to use their trademark.[40] Rather, Article 16.1 provides:

> 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. …[41]

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[35] 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* (23 July 2009) [17].

[36] 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* (30 November 2010) [57] (original emphasis); see also [59].

[37] Carlos Correa, *Trade Related Aspects of Intellectual Property Rights: A Commentary on the TRIPS Agreement* (Oxford University Press, 2007) 182 (emphasis added).

[38] 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* (23 July 2009) [27]-[31].

[39] See Andrew Mitchell, 'Australia's Move to the Plain Packaging of Cigarettes and its WTO Compatibility' (2010) 5 *Asian Journal of WTO & International Health Law and Policy* 405, 416.

[40] 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* (30 November 2010) [29].

[41] Emphasis added. See also Daniel Gervais, *The TRIPS Agreement: Drafting History and Analysis* (Sweet & Maxwell, 3rd ed, 2008) 275, noting that 'the right provided in art. 16(1) is an exclusive right against all third parties ... to prevent use of signs identical or similar to a mark that would create a likelihood of confusion'.

Thus, trademark rights are negative rights: 'rights to exclude, rather than to use',[42] and 'Article 17 is about limiting the rights of trademark owners to prevent others from using signs similar or identical to the protected marks'.[43] Gervais nevertheless maintains that 'the *spirit* of TRIPS is to allow the use of marks'.[44] (Similarly, Annette Kur wrote in 1996 that 'a total ban against the use of tobacco trade marks on other products … would contradict, not the letter, but the *spirit* of international conventions').[45] One reason Gervais offers for this view is TRIPS Article 19.1, which provides:

> If use is required to maintain a registration, the registration may be cancelled only after an uninterrupted period of at least three years of non-use, unless valid reasons based on the existence of obstacles to such use are shown by the trademark owner. Circumstances arising independently of the will of the owner of the trademark which constitute an obstacle to the use of the trademark, such as import restrictions on or other government requirements for goods or services protected by the trademark, shall be recognized as valid reasons for non-use.

Yet this provision indicates that: (i) the TRIPS Agreement itself does not require use to maintain registration (rather, this is left to domestic regulatory systems); and (ii) even if a Member conditions the maintenance of registration on use, the Member must accept government requirements as valid reasons justifying non-use. Gervais posits as an 'arguabl[e] interpretation of Article 19.1 that registration can be maintained where 'measures … of a *temporary nature*' preclude use of a trademark.[46] However, an arguably more plausible interpretation of Article 19.1 recognises its focus on *preventing* cancellation of registration on the basis of non-use. Hence, a Member that conditions maintenance of registration on use cannot cancel the registration of a trademark until 'at least' three uninterrupted years of non-use have elapsed,[47] and even if that period is satisfied cancellation cannot take place if the trademark owner demonstrates obstacles to use. In that context, and given that the list of valid reasons

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[42] Nuno Pires de Carvalho, *The TRIPS Regime of Trademarks and Designs* (Kluwer, 2nd ed, 2011) 343. See also Appellate Body Report, *United States – Section 211 Omnibus Appropriations Act of 1998*, WTO Doc WT/DS176/AB/R (adopted 1 February 2002) [186]; Carlos Correa, *Trade Related Aspects of Intellectual Property Rights: A Commentary on the TRIPS Agreement* (Oxford University Press, 2007) 182, 186; Jayashree Watal, *Intellectual Property Rights in the WTO and Developing Countries* (Kluwer, 2001) 291; Jim Keon, 'Intellectual Property Rules for Trademarks and Geographical Indications: Important Parts of the New World Trade Order' in Carlos Correa and Abdulqawi Yusuf (eds), *Intellectual Property and International Trade: The TRIPS Agreement* (2nd ed, Kluwer, 2008) 149, 154.

[43] Nuno Pires de Carvalho, *The TRIPS Regime of Trademarks and Designs* (Kluwer, 2nd ed, 2011) 384.

[44] 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* (30 November 2010) [30].

[45] Annette Kur, 'The right to use one's own trade mark: a self-evident issue or a new concept in German, European and international trade mark law?' (1996) (18(4) *European Intellectual Property Review* 198, 203 (emphasis added).

[46] 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* (30 November 2010) [27] (original emphasis). Cf Nuno Pires de Carvalho, *The TRIPS Regime of Trademarks and Designs* (Kluwer, 2nd ed, 2011) 332-33, 409.

[47] See Annette Kur, 'Marks for goods or services (trademarks*)' in Carlos Correa (ed), *Research Handbook on the Protection of Intellectual Property under WTO Rules: Intellectual Property in the WTO (Volume I)* (Edward Elgar, 2010) 408, 439.

for non-use is non-exhaustive (as indicated by the words 'such as'),[48] the suggestion that non-use can be justified by only *temporary* government requirements preventing use seems misplaced. Nor is it supported by the explicit reference in Article 19.1 to import restrictions on goods or services protected by a trademark as an example of a valid reason for non-use; nothing in Article 19.1 suggests that such restrictions must be merely temporary, and if imports of particular products are restricted for a given policy reason one might expect the restriction to persist.

Gervais also points to TRIPS Articles 20 and 21 to support his understanding of the 'spirit' of the TRIPS Agreement as permitting trademark owners to use their marks.[49] Article 20 does circumscribe the kinds and extent of restrictions that can be placed on trademark use, as discussed further below. However, this does not mean that other TRIPS provisions similarly preclude restrictions on use; on the contrary, the drafters of the TRIPS Agreement used distinct language in describing how Members may restrict trademark use (Article 20)[50] and how Members may restrict trademark registration (Article 15.4). Article 21 does exclude 'compulsory licensing of trademarks', but this merely confirms the negative right conferred by a trademark pursuant to Article 16.1—as Gervais states, 'WTO Members may not allow a *third party* to use a trademark without the owner's consent'.[51]

The Lalive and Gervais reports both rely on a statement by the WTO Panel[52] in *EC – Trademarks and Geographical Indications (Australia)*[53] to the effect that a 'trademark owner has a legitimate interest in preserving the distinctiveness … of its trademark', including an 'interest in using its own trademark in connection with the relevant goods and services'.[54] In making this statement, the Panel was describing the legitimate interests of a trademark owner pursuant to TRIPS Article 17, rather than defining the rights conferred by a trademark. Indeed, the Panel prefaced its statement by stating that 'Although [the TRIPS Agreement] sets out standards for legal rights, it

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48 See Nuno Pires de Carvalho, *The TRIPS Regime of Trademarks and Designs* (Kluwer, 2nd ed, 2011) 406-07.

49 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* (30 November 2010) [30] (original emphasis).

50 'Article 20 does contain provisions on the positive use of rights': Nuno Pires de Carvalho, *The TRIPS Regime of Trademarks and Designs* (Kluwer, 2nd ed, 2011) 346; see similarly Carlos Correa, *Trade Related Aspects of Intellectual Property Rights: A Commentary on the TRIPS Agreement* (Oxford University Press, 2007) 187; Daniel Gervais, *The TRIPS Agreement: Drafting History and Analysis* (Sweet & Maxwell, 3rd ed, 2008) 284-86.

51 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* (30 November 2010) [30] (original emphasis). See also Daniel Gervais, *The TRIPS Agreement: Drafting History and Analysis* (Sweet & Maxwell, 3rd ed, 2008) 272-75.

52 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* (23 July 2009) [29]; 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* (30 November 2010) [24].

53 References in this chapter are to the complaint by Australia. The same Panel also heard an analogous complaint by the United States and made similar statements in the corresponding Panel Report.

54 Panel Report, *European Communities – Protection of Trademarks and Geographical Indications for Agricultural Products and Foodstuffs, Complaint by Australia*, WTO Doc WT/DS290/R (adopted 20 April 2005) [7.664].

also provides guidance as to WTO Members' shared understandings of the policies and norms relevant to trademarks and, hence, what might be the legitimate interests of trademark owners'.[55] Further, the same Panel described as a 'fundamental feature of intellectual property protection' the fact 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'.[56] The Panel also specifically confirmed that right conferred under TRIPS Article 16.1 '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'.[57] This Panel Report was not appealed.

Elsewhere in the Panel Report (in paragraphs footnoted but not discussed in the Gervais report),[58] the Panel rejected the argument of the European Communities[59] that the reference in Article 24.5 of the TRIPS Agreement to 'the right to use a trademark' confers such a right:

> If the drafters had intended to grant a positive right, they would have used positive language. … Even if the TRIPS Agreement does not expressly provide for a 'right to use a trademark' elsewhere, this does not mean that a provision that measures 'shall not prejudice' that right provides for it instead. The right to use a trademark is a right that Members may provide under national law. This is the right saved by Article 24.5 where it provides that certain measures 'shall not prejudice … the right to use a trademark'.[60]

A footnote to this statement confirms that 'Article 16.1 of the TRIPS Agreement only provides for a negative right to prevent all third parties from using signs in certain circumstances'.[61] This is not a matter of mere semantics or a happy coincidence (from the perspective of the government of Australia and like-minded countries) when it comes to applying the TRIPS Agreement to plain packaging: the TRIPS Agreement generally frames trade mark and other IP rights as negative rights precisely to allow

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55 Panel Report, *European Communities – Protection of Trademarks and Geographical Indications for Agricultural Products and Foodstuffs, Complaint by Australia*, WTO Doc WT/DS290/R (adopted 20 April 2005) [7.664].

56 Panel Report, *European Communities – Protection of Trademarks and Geographical Indications for Agricultural Products and Foodstuffs, Complaint by Australia*, WTO Doc WT/DS290/R (adopted 20 April 2005) [7.246] (emphasis added). See also Henning Grosse Ruse-Khan, 'Assessing the need for a general public interest exception in the TRIPS Agreement' in Annette Kur (ed), *Intellectual Property Rights in a Fair World Trade System: Proposals for Reform of TRIPS* (Edward Elgar, 2011) 167, 197, referring to the negative nature of IP rights as an 'essential feature'.

57 Panel Report, *European Communities – Protection of Trademarks and Geographical Indications for Agricultural Products and Foodstuffs, Complaint by Australia*, WTO Doc WT/DS290/R (adopted 20 April 2005) [7.602], as noted in Daniel Gervais, *The TRIPS Agreement: Drafting History and Analysis* (Sweet & Maxwell, 3rd ed, 2008) 279.

58 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* (30 November 2010) [22], n 10.

59 Until 30 November 2009, the European Union was known as the 'European Communities' in the WTO.

60 Panel Report, *European Communities – Protection of Trademarks and Geographical Indications for Agricultural Products and Foodstuffs, Complaint by Australia*, WTO Doc WT/DS290/R (adopted 20 April 2005) [7.610]-[7.611] (footnotes omitted).

61 Panel Report, *European Communities – Protection of Trademarks and Geographical Indications for Agricultural Products and Foodstuffs, Complaint by Australia*, WTO Doc WT/DS290/R (adopted 20 April 2005) n 564.

Members to pursue legitimate non-IP-related public policies[62] such as promoting public health.

C *Unjustifiable Encumbrance under TRIPS Art 20?*

1 *Introduction*

Article 20 of the TRIPS Agreement provides:

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

As discussed by Professor Davison in Chapter 4, some uncertainty exists regarding whether plain packaging 'encumber[s]' the use of a trade mark by 'special requirements'.[63] For the purpose of the present chapter, we assume that it does so. Further, we agree with Gervais and others that '[t]he three examples of special requirements given in Article 20 … are not *necessarily* unjustified'.[64] The opposite interpretation—advocated in the Lalive report[65]—would deprive the word 'unjustifiably' of any meaning, contrary to the principle of effectiveness, which the WTO Appellate Body has repeatedly recognised as applicable in WTO disputes.[66]

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[62] Panel Report, *European Communities – Protection of Trademarks and Geographical Indications for Agricultural Products and Foodstuffs, Complaint by Australia*, WTO Doc WT/DS290/R (adopted 20 April 2005) [7.246]. But see Henning Grosse Ruse-Khan, 'Assessing the need for a general public interest exception in the TRIPS Agreement' in Annette Kur (ed), *Intellectual Property Rights in a Fair World Trade System: Proposals for Reform of TRIPS* (Edward Elgar, 2011) 167, 198-99 on the limits of the characterisation of IP rights as negative in ensuring policy space for Members.

[63] See also Andrew Mitchell, 'Australia's Move to the Plain Packaging of Cigarettes and its WTO Compatibility' (2010) 5 *Asian Journal of WTO & International Health Law and Policy* 405, 418; Panel Report, *Indonesia – Certain Measures Affecting the Automobile Industry*, WTO Doc WT/DS54/R, WT/DS55/R, WT/DS59/R, WT/DS64/R (adopted 23 July 1998) and Corr 1-4., [14.277]-[14.278]. Cf 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* (23 July 2009) [33].

[64] 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* (30 November 2010) [48] (original emphasis). See also Daniel Gervais, *The TRIPS Agreement: Drafting History and Analysis* (Sweet & Maxwell, 3rd ed, 2008) 286; Carlos Correa, *Trade Related Aspects of Intellectual Property Rights: A Commentary on the TRIPS Agreement* (Oxford University Press, 2007) 200; Nuno Pires de Carvalho, *The TRIPS Regime of Trademarks and Designs* (Kluwer, 2nd ed, 2011) 427; Andrew Mitchell, 'Australia's Move to the Plain Packaging of Cigarettes and its WTO Compatibility' (2010) 5 *Asian Journal of WTO & International Health Law and Policy* 405, 419; Jayashree Watal, *Intellectual Property Rights in the WTO and Developing Countries* (Kluwer, 2001) 311.

[65] 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* (23 July 2009) [34]-[35].

[66] See, eg, Appellate Body Report, *Korea – Definitive Safeguard Measure on Imports of Certain Dairy Products*, WTO Doc WT/DS98/AB/R (adopted 12 January 2000) [80]-[81]; Appellate Body Report, *Argentina – Safeguard Measures on Imports of Footwear*, WTO Doc WT/DS121/AB/R (adopted 12 January 2000) [88]; Appellate Body Report, *United States – Continued Dumping and Subsidy Offset Act of 2000*, WTO Doc WT/DS217/AB/R, WT/DS234/AB/R (adopted 27 January 2003) [271]. See also Andrew Mitchell, *Legal Principles in WTO Disputes* (Cambridge, 2008) 53.

The key question in assessing plain packaging under TRIPS Article 20 is therefore whether the resulting encumbrance on the use of tobacco marks is 'justifiabl[e]'. Leading trade marks expert Nuno Pires de Carvalho of the World Intellectual Property Organization has explained that, on its own terms, 'the test of justifiability [in Article 20] … is not constrained by legitimate interests of trademark owners' (in contrast to Article 17, where these interests are expressly mentioned).[67] Indeed:

> Article 20 … permits justifiable special requirements that … cause marks to suffer economic loss of value—such as tobacco … brands.[68]

> [T]o ban the use of trademarks would be the ultimate encumbrance, and where justified, it could not be challenged under the TRIPS Agreement, even though it would be seriously detrimental to the (legitimate) interests of the trademark owners.[69]

Similarly, renowned IP scholar Jayashree Watal (Counsellor in the IP Division of the WTO) has described as 'exaggerated' fears about 'introducing special requirements on cigarette … labels or packaging' because 'Article 20 allows for justifiable encumbrances and these can be considered as permitted by TRIPS language'.[70] Finally, Correa has written that 'conditions imposed with an aim to warn the public about the effects of the use of a product (eg tobacco) or restricting the use of trademarks' would be 'justifiable for public health reasons' under TRIPS Article 20.[71]

2 *Relevance of TRIPS Arts 7 and 8 and the Doha Declaration*

But what precise test applies in determining whether a given encumbrance is justifiable for the purposes of Article 20? Some guidance can be found in Articles 7 and 8, which set out respectively the objectives and principles of the TRIPS Agreement. Article 7 acknowledges the need to protect and enforce IP rights 'in a manner conducive to social and economic welfare, and to a balance of rights and obligations', while Article 8.1 recognises that 'Members may … adopt measures necessary to protect public health … provided that such measures are consistent with' the TRIPS Agreement. Gervais is correct in stating that Article 8 does not *amend* Article 20.[72] Nevertheless, both Articles 7 and 8 are certainly relevant in interpreting Article 20 as they represent relevant 'context' as well as shedding light on the 'object and purpose' of the TRIPS Agreement, pursuant to Article 31(1) of the *Vienna Convention on the Law of Treaties* ('VCLT'),[73] which provision has long been

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[67] Nuno Pires de Carvalho, *The TRIPS Regime of Trademarks and Designs* (Kluwer, 2nd ed, 2011) 441.

[68] Nuno Pires de Carvalho, *The TRIPS Regime of Trademarks and Designs* (Kluwer, 2nd ed, 2011) 429.

[69] Nuno Pires de Carvalho, *The TRIPS Regime of Trademarks and Designs* (Kluwer, 2nd ed, 2011) 442.

[70] Jayashree Watal, *Intellectual Property Rights in the WTO and Developing Countries* (Kluwer, 2001) 252.

[71] Carlos Correa, *Trade Related Aspects of Intellectual Property Rights: A Commentary on the TRIPS Agreement* (Oxford University Press, 2007).

[72] 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* (30 November 2010) [109]. See also Henning Grosse Ruse-Khan, 'Assessing the need for a general public interest exception in the TRIPS Agreement' in Annette Kur (ed), *Intellectual Property Rights in a Fair World Trade System: Proposals for Reform of TRIPS* (Edward Elgar, 2011) 167, 194.

[73] 1155 UNTS 331 (adopted 22 May 1969).

accepted as applying to the interpretation of the WTO agreements in WTO disputes.[74] Thus, a WTO Panel has recognised that 'the goals and the limitations stated in Articles 7 and 8.1 must obviously be borne in mind' in interpreting TRIPS Article 30,[75] and Watal has pointed out the relevance of Article 8 in interpreting TRIPS Article 20.[76]

The Doha Declaration on TRIPS and Public Health[77] is also relevant in interpreting Article 20, although again Gervais is correct that it does not *amend* that provision.[78] In that declaration, the WTO Ministerial Conference (comprising representatives of all WTO Members) stated:

> 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 …
>
> [W]e recognize that … [i]n 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 [in Articles 7 and 8].[79]

In our view[80] (and contrary to that of Gervais)[81] this amounts to an authoritative interpretation of the TRIPS Agreement pursuant to Article IX:2 of the *Marrakesh Agreement Establishing the World Trade Organization*.[82] And, in any case, it constitutes a 'subsequent agreement between the parties regarding the interpretation of the treaty or the application of its provisions', which must therefore be taken into account in interpreting the TRIPS Agreement pursuant to Article 31(3)(a) of the VCLT.[83]

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[74] DSU, art 3.2; Appellate Body Report, *United States – Standards for Reformulated and Conventional Gasoline*, WTO Doc WT/DS2/AB/R (adopted 20 May 1996) 16-17.

[75] Panel Report, *Canada – Patent Protection of Pharmaceutical Products*, WTO Doc WT/DS114/R (adopted 7 April 2000) [7.26], but see also [7.92].

[76] Jayashree Watal, *Intellectual Property Rights in the WTO and Developing Countries* (Kluwer, 2001) 311. See also Henning Grosse Ruse-Khan, 'Assessing the need for a general public interest exception in the TRIPS Agreement' in Annette Kur (ed), *Intellectual Property Rights in a Fair World Trade System: Proposals for Reform of TRIPS* (Edward Elgar, 2011) 167, 179-80, 200-201.

[77] WTO Ministerial Conference, *Declaration on the TRIPS Agreement and Public Health Adopted on 14 November 2001*, WTO Doc WT/MIN(01)/DEC/2 (20 November 2001).

[78] 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* (30 November 2010) [52], [109].

[79] WTO Ministerial Conference, *Declaration on the TRIPS Agreement and Public Health Adopted on 14 November 2001*, WTO Doc WT/MIN(01)/DEC/2 (20 November 2001) [4], [5(a)].

[80] See also Andrew Mitchell and Tania Voon, 'Patents and Public Health in the WTO, FTAs and Beyond: Tension and Conflict in International Law' (2009) 43(3) *Journal of World Trade* 571, 580; Holger Hestermeyer, *Human Rights and the WTO: The Case of Patents and Access to Medicines* (Oxford University Press, 2007), 279-282.

[81] 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* (30 November 2010) [54].

[82] Opened for signature 15 April 1994, 1867 UNTS 3 (entered into force 1 January 1995).

[83] See also Carlos Correa, *Trade Related Aspects of Intellectual Property Rights: A Commentary on the TRIPS Agreement* (Oxford University Press, 2007) 200; Henning Grosse Ruse-Khan, 'Assessing the need for a general public interest exception in the TRIPS Agreement' in Annette Kur (ed),

Interpreting TRIPS Article 20 in the light of Articles 7 and 8 and the Doha Declaration, it seems incontrovertible that a public health objective could justify an encumbrance under TRIPS Article 20. As the Panel stated in *EC – Trademarks and Geographical Indications (Australia)*, the principles in Article 8.1 in particular are crucial in ensuring that Members have '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'.[84] On one view, the mere fact that public health is a legitimate policy objective from the perspective of the WTO (as reflected in Articles 7 and 8 and the Doha Declaration) means that plain packaging to achieve that objective is justifiable.[85]

3 *Relevance of GATT Art XX, GATS Art XIV and the WHO FCTC*

Assuming that something more than a legitimate underlying policy objective is required for a measure to be justifiable, the relevant inquiry might become whether the purpose and effect of plain packaging justify the resulting encumbrance on trade marks. In resolving that question, in the absence of relevant jurisprudence on TRIPS Article 20 itself, the caselaw on the general exceptions provisions of both the GATT 1994 (Article XX) and the *General Agreement on Trade in Services* ('GATS')[86] may be instructive. Neither the reasoning nor the conclusions in those cases are strictly binding in subsequent cases,[87] but they are nevertheless persuasive and 'create legitimate expectations among WTO Members'.[88] Moreover, the Appellate Body has frequently referred to its own decisions concerning provisions in one WTO agreement in interpreting analogous provisions in another WTO agreement.[89] Accordingly, below we consider the line of reasoning that has developed in these cases, on the basis that it provides a useful indication of how a Panel or the Appellate Body might

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Intellectual Property Rights in a Fair World Trade System: Proposals for Reform of TRIPS (Edward Elgar, 2011) 167, 200, 178-180.

84 Panel Report, *European Communities – Protection of Trademarks and Geographical Indications for Agricultural Products and Foodstuffs, Complaint by Australia*, WTO Doc WT/DS290/R (adopted 20 April 2005) [7.246].

85 Nuno Pires de Carvalho, *The TRIPS Regime of Trademarks and Designs* (Kluwer, 2nd ed, 2011) 424, 427.

86 *Marrakesh Agreement Establishing the World Trade Organization*, opened for signature 15 April 1994, 1867 UNTS 3 (entered into force 1 January 1995) annex 1B.

87 Appellate Body Report, *Japan – Taxes on Alcoholic Beverages*, WTO Doc WT/DS8/AB/R, WT/DS10/AB/R, WT/DS11/AB/R (adopted 1 November 1996) 14; Appellate Body Report, *United States – Import Prohibition of Certain Shrimp and Shrimp Products – Recourse to Article 21.5 of the DSU by Malaysia*, WTO Doc WT/DS58/AB/RW (adopted 21 November 2001) [109]. See also *Marrakesh Agreement Establishing the World Trade Organization*, opened for signature 15 April 1994, 1867 UNTS 3 (entered into force 1 January 1995) art IX:2; DSU, arts 3.2, 19.2.

88 Appellate Body Report, *Japan – Taxes on Alcoholic Beverages*, WTO Doc WT/DS8/AB/R, WT/DS10/AB/R, WT/DS11/AB/R (adopted 1 November 1996) 14. See also Appellate Body Report, *United States – Import Prohibition of Certain Shrimp and Shrimp Products – Recourse to Article 21.5 of the DSU by Malaysia*, WTO Doc WT/DS58/AB/RW (adopted 21 November 2001) [109]; Appellate Body Report, *United States – Sunset Reviews of Anti-Dumping Measures on Oil Country Tubular Goods from Argentina*, WTO Doc WT/DS268/AB/R (adopted 17 December 2004) [188]; Appellate Body Report, *United States – Final Anti-Dumping Measures on Stainless Steel from Mexico*, WTO Doc WT/DS344/AB/R (adopted 20 May 2008) [160].

89 See, eg, Appellate Body Report, *China – Publications and Audiovisual Products*, [239]-[240].

approach the question of whether plain packaging is justifiable pursuant to TRIPS Article 20.

Before turning to the substantive tests applicable under GATT Article XX, GATS Article XIV, and potentially TRIPS Article 20, we must consider the applicable burden of proof. According to Gervais, the party invoking 'an exception to TRIPS (such as under [TRIPS] Article 20)' bears the burden of demonstrating that its measure falls within that exception.[90] Although determining and imposing the burden of proof in WTO disputes is fraught with difficulty and heavily nuanced,[91] the basic test for assigning the burden can be simply stated: 'the burden of proof rests upon the party, whether complaining or defending, who asserts the affirmative of a particular claim or defence'.[92] Thus, a respondent seeking to justify a measure under GATT Article XX or GATS Article XIV bears the burden of proving that its measure meets the conditions of the relevant exception.[93] In contrast to those two provisions, TRIPS Article 20 imposes an *obligation* rather than providing an *exception*. Specifically, Article 20 obliges WTO Members not to unjustifiably encumber by special requirements the use of a trade mark in the course of trade. A Member claiming that Australia's plain packaging measure violates Article 20 would therefore bear the burden of proving that the measure is unjustifiable within the meaning of that provision:[94] 'a responding Member's law will be treated as WTO-*consistent* until proven otherwise'.[95]

Accordingly, although similar considerations to those applicable under GATT Article XX and GATS Article XIV may apply pursuant to TRIPS Article 20, the latter provision is quite distinct from the former two and the burden of proof is reversed. Moreover, the requirements for a measure to be 'necessary' within the meaning of one of the paragraphs of GATT Article XX or GATS Article XIV are arguably more stringent than those for a measure to be 'justifiable' within the meaning of TRIPS Article 20: '"Justifiable" … gives more freedom to WTO Members than

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90 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* (30 November 2010) [74] see also [48], [115]; see also Daniel Gervais, *The TRIPS Agreement: Drafting History and Analysis* (Sweet & Maxwell, 3rd ed, 2008) 285.

91 See generally, eg, Michelle Grando, *Evidence, Proof, and Fact-Finding in WTO Dispute Settlement* (Oxford University Press, 2010); Caroline Foster, *Science and the Precautionary Principle in International Courts and Tribunals: Expert Evidence, Burden of Proof and Finality* (Cambridge University Press, 2011); Appellate Body Report, *European Communities – Conditions for the Granting of Tariff Preferences to Developing Countries*, WTO Doc WT/DS246/AB/R (adopted 20 April 2004) [104]-[125].

92 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) and Corr 1, 13.

93 See, eg, Appellate Body Report, *United States – Import Prohibition of Certain Shrimp and Shrimp Products*, WTO Doc WT/DS58/AB/R (adopted 6 November 1998) [34]; Appellate Body Report, *United States – Standards for Reformulated and Conventional Gasoline*, WTO Doc WT/DS2/AB/R (adopted 20 May 1996) 22-23; Appellate Body Report, *United States – Measures Affecting the Cross-Border Supply of Gambling and Betting Services*, WTO Doc WT/DS285/AB/R (adopted 20 April 2005) [282], [289].

94 See, reaching the same conclusion: Carlos Correa, *Trade Related Aspects of Intellectual Property Rights: A Commentary on the TRIPS Agreement* (Oxford University Press, 2007).

95 Appellate Body Report, *United States – Countervailing Duties on Certain Corrosion-Resistant Carbon Steel Flat Products from Germany*, WTO Doc WT/DS213/AB/R, Corr 1 (adopted 19 December 2002) [157] (original emphasis).

"necessary"'.[96] In addition, the strict requirements of the *chapeaux* to GATT Article XX and GATS Article XIV find no equivalent in TRIPS Article 20; Article 20 does not state that a measure encumbering a trademark must not be 'applied in a manner which would constitute a means of arbitrary or unjustifiable discrimination … or a disguised restriction on international trade'.[97]

In any case, even if the test used to assess necessity under relevant paragraphs of GATT Article XX were transposed to TRIPS Article 20, along with the requirements of the *chapeau*, and even if Australia or another respondent were expected to demonstrate that plain packaging was necessary pursuant to that test and met the *chapeau* requirements, it could do so with relative ease.

In summary, a panel would apply the necessity test under GATT Art XX or GATS Art XIV by considering:

> the relevant factors, particularly the importance of the interests or values at stake, the extent of the contribution to the achievement of the measure's objective, and its trade restrictiveness. If this analysis yields a preliminary conclusion that the measure is necessary, this result must be confirmed by comparing the measure with possible alternatives … This comparison should be carried out in the light of the importance of the interests or values at stake.[98]
>
> It rests upon the complaining Member to identify possible alternatives … [I]n order to qualify as an alternative, a measure … must be not only less trade restrictive than the measure at issue, but should also 'preserve for the responding Member its right to achieve its desired level of protection with respect to the objective pursued'. … If the responding Member demonstrates that the measure proposed … is not a genuine alternative or is not 'reasonably available', … the measure at issue is necessary.[99]

This test can be applied to plain packaging as follows:

- The interest or objective pursued by plain packaging (as discussed further below),[100] being 'the preservation of human life and health', has been described by the Appellate Body as 'both vital and important in the highest degree'.[101]

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[96] Nuno Pires de Carvalho, *The TRIPS Regime of Trademarks and Designs* (Kluwer, 2nd ed, 2011) 424.

[97] GATT 1994, art XX.

[98] Appellate Body Report, *Brazil – Measures Affecting Imports of Retreaded Tyres*, WT/DS332/AB/R (adopted 17 December 2007) [178]. See also Appellate Body Report, *China – Measures Affecting Trading Rights and Distribution Services for Certain Publications and Audiovisual Entertainment Products*, WT/DS363/AB/R (adopted 19 January 2010) [241]-[242]; Appellate Body Report, *United States – Measures Affecting the Cross-Border Supply of Gambling and Betting Services*, WTO Doc WT/DS285/AB/R (adopted 20 April 2005) [306]-[307].

[99] Appellate Body Report, *Brazil – Measures Affecting Imports of Retreaded Tyres*, WT/DS332/AB/R (adopted 17 December 2007) [156], quoting Appellate Body Report, *United States – Measures Affecting the Cross-Border Supply of Gambling and Betting Services*, WTO Doc WT/DS285/AB/R (adopted 20 April 2005) [308], [311].

[100] See below nn 120-121 and corresponding text.

[101] Appellate Body Report, *European Communities – Measures Affecting Asbestos and Asbestos-Containing Products*, WTO Doc WT/DS135/AB/R (adopted 5 April 2001) [172].

- Plain packaging contributes significantly to that objective, as explained in Chapter 2 of this book.[102] In this regard, Gervais is incorrect in suggesting that the challenged measure must be '*reasonably expected to achieve* the stated objective' or that the respondent must show that its measure '*will achieve* its legitimate public policy objectives' in order for the measure to qualify as necessary or justifiable and therefore consistent with TRIPS Article 20.[103] As the Appellate Body has stated, a respondent attempting to justify its measure as necessary under GATT Article XX must show merely that the measure 'brings about a *material contribution* to the achievement of its objective'.[104] Put differently, a measure relevantly contributes to its objective for the purposes of the GATT Article XX necessity test simply 'when there is a genuine relationship of ends and means between the objective pursued and the measure at issue', and the contribution may be assessed 'either in quantitative or in qualitative terms'.[105] Furthermore, the Appellate Body has indicated that, in justifying a measure under GATT Article XX, a Member may rely 'on scientific sources which … may represent a divergent, but qualified and respected, opinion. A Member is not obliged, in setting health policy, automatically to follow what … may constitute a majority scientific opinion.'[106] Finally, as regards the World Health Organization *Framework Convention on Tobacco Control*[107] (to which Australia is a party), while Gervais is correct that this treaty does not explicitly mandate plain packaging,[108] guidelines agreed by the Conference of the Parties to implement the treaty state that parties 'should consider adopting … plain packaging'.[109] This factor lends weight to the argument that plain packaging contributes to its

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[102] See also Quit Victoria, Cancer Council Victoria, *Plain packaging of tobacco products: a review of the evidence* (May 2011).

[103] 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* (30 November 2010) [81], [115] (emphasis added).

[104] Appellate Body Report, *Brazil – Measures Affecting Imports of Retreaded Tyres*, WT/DS332/AB/R (adopted 17 December 2007) [151] (emphasis added).

[105] Appellate Body Report, *Brazil – Measures Affecting Imports of Retreaded Tyres*, WT/DS332/AB/R (adopted 17 December 2007) [145], [146]. See also Peter Van den Bossche, *The Law and Policy of the World Trade Organization: Text, Cases and Materials* (Cambridge University Press, 2nd ed, 2008) 820 (applying analogous reasoning to the TBT Agreement).

[106] Appellate Body Report, *European Communities – Measures Affecting Asbestos and Asbestos-Containing Products*, WTO Doc WT/DS135/AB/R (adopted 5 April 2001) [178].

[107] 2302 UNTS 166 (adopted 21 May 2003, entered into force 27 February 2005).

[108] 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* (30 November 2010) [99]. See also British American Tobacco Australia, *Submission on the Tobacco Plain Packaging Bill 2011* (6 June 2011)10.

[109] *Guidelines for implementation of Article 11 of the WHO Framework Convention on Tobacco Control (Packaging and labelling of tobacco products)* [46]; *Guidelines for implementation of Article 13 of the WHO Framework Convention on Tobacco Control (Tobacco advertising, promotion and sponsorship)* [17]. See also WHO, *Statement of the World Health Organization: WTO TRIPS Council* (7 June 2011) 3-5; WHO FCTC, Fourth Session of the Conference of the Parties, *Punta del Este Declaration on the Implementation of the WHO Framework Convention on Tobacco Control*, FCTC/COP4(5) (19 November 2010) [4].

health objectives and that Australia is pursuing plain packaging in order to promote those objectives. And, contrary to Gervais' assertion,[110] the Appellate Body has previously relied on multilateral non-WTO sources as factual references or in determining the ordinary meaning of terms in WTO provisions in accordance with Article 31(1) of the VCLT.[111]

- Plain packaging applies equally to all tobacco products from all sources (most originating in fact in Australia) and does not restrict international trade. It may be arguable that this aspect of the necessity test in GATT Article XX should be modified for the purpose of the TRIPS Agreement to assess instead the extent to which the measure restricts IP rights. (Perhaps this is what Gervais intends in suggesting that a 'major' encumbrance requires a higher level of justification under TRIPS Article 20.)[112] However, as the TRIPS Agreement establishes a 'balance of rights and obligations',[113] under that approach the values of socio-economic welfare and public health should also be taken into account, for reasons described above.
- No reasonably available, less trade-restrictive alternative to plain packaging exists that would make an equal contribution to the public health objective of the measure. In this regard, the Appellate Body has recognised that a proposed alternative to the challenged measure cannot be a complementary measure that is already in place.[114] The landscape and history of Australia's comprehensive scheme of tobacco control is outlined in Chapter 2 of this book. In the words of the Appellate Body:

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[110] 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* (30 November 2010) [97].

[111] See, eg, Appellate Body Report, *United States – Import Prohibition of Certain Shrimp and Shrimp Products*, WTO Doc WT/DS58/AB/R (adopted 6 November 1998) [41], [130]-[132], [167]-[169]; Appellate Body Report, *United States – Import Prohibition of Certain Shrimp and Shrimp Products – Recourse to Article 21.5 of the DSU by Malaysia*, WTO Doc WT/DS58/AB/RW (adopted 21 November 2001) [130]. See also Appellate Body Report, *European Communities – Conditions for the Granting of Tariff Preferences to Developing Countries*, WTO Doc WT/DS246/AB/R (adopted 20 April 2004) [163]; Panel Report, *European Communities – Measures Affecting the Approval and Marketing of Biotech Products*, WTO Doc WT/DS291/R, WT/DS292/R, WT/DS293/R, Add 1-9, and Corr 1 (adopted 21 November 2006), [7.92], [7.94]; Gabrielle Marceau, 'WTO Dispute Settlement and Human Rights' (2002) 13(4) *European Journal of International Law* 753, 791; Joost Pauwelyn, *Conflict of Norms in Public International Law: How WTO Law Relates to Other Rules of International Law* (Cambridge University Press, 2003) 269; Campbell McLachlan, 'The Principle of Systemic Integration and Article 31(3)(c) of the Vienna Convention' (2005) 54 *International & Comparative Law Quarterly* 279, 315; Tania Voon, *Cultural Products and the World Trade Organization* (Cambridge University Press, 2007) 130-134.

[112] 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* (30 November 2010) [77], [79].

[113] TRIPS Agreement, art 7.

[114] Appellate Body Report, *Brazil – Measures Affecting Imports of Retreaded Tyres*, WT/DS332/AB/R (adopted 17 December 2007) [172].

> [C]ertain complex public health or environmental problems may be tackled only with a comprehensive policy comprising a multiplicity of interacting measures.[115]
>
> Substituting one element of this comprehensive policy for another would weaken the policy by reducing the synergies between its components, as well as its total effect.[116]

Neither the Lalive report nor the Gervais report refers to the *chapeau* to GATT Article XX, and as noted above the *chapeau* finds no equivalent language in the TRIPS Agreement. Nevertheless, for the sake of completeness, we point out that nothing inherent in plain packaging or evidenced in Australia's plain packaging scheme suggests that plain packaging would be applied in an arbitrary or discriminatory manner or pursued as a disguised restriction on international trade. Indeed, as most tobacco products sold in Australia are locally manufactured,[117] the burden of the scheme is likely to fall predominantly on domestic rather than imported products. Thus, even if the *chapeau* requirements did apply to plain packaging under TRIPS Article 20, those requirements would be satisfied.

III THE SPS AGREEMENT

The TBT Agreement does not apply to sanitary and phytosanitary ('SPS') measures as defined in the SPS Agreement.[118] Thus, the two agreements are mutually exclusive, with the SPS Agreement taking precedence as regards measures falling within its scope. The question therefore arises whether plain packaging constitutes an SPS measure subject to the SPS Agreement. The definition of SPS measures in SPS Annex A encompasses measures applied for one of the following four purposes:

> 1. (a) to protect animal or plant life or health . . . from risks arising from the entry, establishment or spread of pests, diseases, disease-carrying organisms or disease-causing organisms;
>
> (b) to protect human or animal life or health . . . from risks arising from additives, contaminants, toxins or disease-causing organisms in foods, beverages or feedstuffs;
>
> (c) to protect human life or health . . . from risks arising from diseases carried by animals, plants or products thereof, or from the entry, establishment or spread of pests; or
>
> (d) to prevent or limit other damage within the territory of the Member from the entry, establishment or spread of pests.

Plain packaging does not fall within any of these sub-paragraphs. Paragraph 1(a) of Annex A is inapplicable because plain packaging is designed to protect *human* rather than animal or plant life or health. Paragraph 1(b) is inapplicable because tobacco

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[115] Appellate Body Report, *Brazil – Measures Affecting Imports of Retreaded Tyres*, WT/DS332/AB/R (adopted 17 December 2007) [151].

[116] Appellate Body Report, *Brazil – Measures Affecting Imports of Retreaded Tyres*, WT/DS332/AB/R (adopted 17 December 2007) [172].

[117] Margaret Winstanley, 'Chapter 14: The tobacco industry in Australian society' in Michelle Scollo and Margaret Winstanley (eds), *Tobacco in Australia: Facts and Issues* (Cancer Council Victoria, 3rd ed, 2008) 9, 11-15.

[118] TBT Agreement, art 1.5.

products are not 'foods, beverages or feedstuffs'.[119] Paragraph 1(c) is inapplicable because although tobacco products create risks to human life or health through diseases, these risks do not arises from diseases *carried* by animals, plants or the products themselves. Paragraph 1(d) is inapplicable because tobacco products do not constitute pests and their potential harmfulness is unrelated to pests. Accordingly, plain packaging is not an SPS measure subject to the SPS Agreement.

IV THE TBT AGREEMENT

Below, we first identify the complaints made to date about Australia's plain packaging scheme within the context of the TBT Agreement. We then confirm the applicability of the TBT Agreement to plain packaging, before examining the consistency of plain packaging with the provisions of that agreement, and in particular Article 2.2.

A *The TBT Committee: Notification and Complaints*

In April 2011, Australia notified the WTO's Committee on Technical Barriers to Trade ('TBT Committee') of its *Tobacco Plain Packaging Bill 2011*, pursuant to TBT Article 2.9.2. The notification notes the proposed date of adoption as 1 January 2012, with progressive entry into force from 1 January 2012 to 1 July 2012. The stated objective and rationale for the measure are to 'reduce the appeal of tobacco products to consumers; increase the effectiveness of health warnings on the packaging of tobacco products; and reduce the ability of the packaging of tobacco products to mislead consumers about the harmful effects of smoking', consistent with Australia's obligations under the WHO FCTC.[120] These objectives are reflected in the draft legislation itself, which also refers to the goal of improving public health by, *inter alia*, 'discouraging people from taking up smoking' and 'encouraging people to give up smoking'.[121]

At the TBT Committee meeting of 15-16 June 2011, the European Union indicated that it was also considering implementing plain packaging, and asked Australia about the evidentiary basis for the measure.[122] Three Members also circulated written communications raising concerns about Australia's notification,[123] with Indonesia and the Dominican Republic specifically indicating their concern that the measure would violate TBT Article 2.2.[124]

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[119] See Secretariat of the Joint FAO/WHO Food Standards Programme, *Codex Alimentarius Commission: Procedural Manual* (19th ed, 2010) 18; SPS Agreement, Annex A, [3(a)]; Jeffery Atik, 'Trade and Health', in Daniel Bethlehem, Donald McRae, Rodney Neufeld and Isabelle Van Damme (eds), *The Oxford Handbook of International Trade Law* (Oxford University Press, 2009) 597, 599.

[120] WTO, *Committee on Technical Barriers to Trade: Notification by Australia*, WTO Doc G/TBT/N/AUS/67 (8 April 2011).

[121] Australian Government, *Tobacco Plain Packaging Bill 2011 – Exposure Draft* (7 April 2011) s 3.

[122] 'Australia Defends Tobacco Packaging Law as Backed by Solid Research' (24 June 2011) 29(25) *Inside US Trade*.

[123] WTO, *Questions for Australia regarding its Notification on the Plain Packaging Bill (G/TBT/N/AUS/67)*, WTO Doc G/TBT/W/338 (10 June 2011).

[124] WTO, *The Impact of Australia's Draft Regulation on Tobacco Plain Packaging Bill 2011 in Cigarettes and Other Tobacco Products*, WTO Doc G/TBT/W/336 (8 June 2011) [6] (Communication from Indonesia); WTO, *Intervención de la República Dominicana al Comité de Obstáculos Técnicos al*

B *Plain Packaging as a Technical Regulation Covered by the Agreement*

Australia's plain packaging measure (in the form of the draft legislation, if enacted, in conjunction with regulations expected to be made thereunder) will be subject to the TBT Agreement if it meets the following definition of a 'technical regulation':

> Document which lays down *product characteristics* or their related processes and production methods, including the applicable administrative provisions, with which compliance is *mandatory*. It may also include or deal exclusively with terminology, symbols, *packaging*, marking or *labelling* requirements as they apply to a product, process or production method.[125]

In addition, the Appellate Body has indicated that a technical regulation must apply to 'an *identifiable* product, or group of products'.[126]

The Australian plain packaging measure as currently envisaged would appear to be subject to the TBT Agreement as a technical regulation because:

- It will apply to an identifiable group of products, namely tobacco products as defined in the bill.[127]
- It will lay down product characteristics in positive and/or negative form,[128] including characteristics dealing with packaging or labelling requirements, for example prohibiting the use of or specifying conditions for any trade mark on packaging or tobacco products, and imposing requirements regarding the appearance of tobacco products, packaging, or words and signs on packaging.[129]
- It will be mandatory, establishing a number of offences and civil penalties for non-compliance,[130] as discussed further below.

The GATT 1994 and the TBT Agreement may both apply simultaneously to a given measure, but to the extent of any conflict between the two agreements the latter will prevail.[131] Since the TBT Agreement is the more specific agreement, a WTO Panel would usually examine the measure under the TBT Agreement before examining it

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Comercio de 15 de Junio de 2011, WTO Doc G/TBT/W/339 (21 June 2011) (Communication from the Dominican Republic) [10]-[11]; WTO, *Questions for Australia regarding its Notification on the Plain Packaging Bill (G/TBT/N/AUS/67)*, WTO Doc G/TBT/W/338 (10 June 2011) (Communication from Cuba). See also British American Tobacco Australia, *Submission on the Tobacco Plain Packaging Bill 2011* (6 June 2011) 9; Donald Zeigler, 'International trade agreements challenge tobacco and alcohol control policies' (2006) 25 *Drug and Alcohol Review* 567, 568.

125 TBT Agreement, annex 1, [1] (emphasis added).

126 Appellate Body Report, *European Communities – Measures Affecting Asbestos and Asbestos-Containing Products*, WTO Doc WT/DS135/AB/R (adopted 5 April 2001) [70] (original emphasis).

127 Australian Government, *Tobacco Plain Packaging Bill 2011 – Exposure Draft* (7 April 2011) s 4.

128 Appellate Body Report, *European Communities – Measures Affecting Asbestos and Asbestos-Containing Products*, WTO Doc WT/DS135/AB/R (adopted 5 April 2001) [69].

129 Australian Government, *Tobacco Plain Packaging Bill 2011 – Exposure Draft* (7 April 2011) s 14.

130 Australian Government, *Tobacco Plain Packaging Bill 2011 – Exposure Draft* (7 April 2011) Ch 3.

131 *Marrakesh Agreement Establishing the World Trade Organization*, opened for signature 15 April 1994, 1867 UNTS 3 (entered into force 1 January 1995), General Interpretative Note to Annex 1A.

under the GATT 1994.[132] Accordingly, we now turn to assess the consistency of plain packaging with TBT Article 2.2.

C *More Trade-Restrictive Than Necessary Under TBT Art 2.2?*

Article 2.2 of the TBT Agreement provides:

> Members shall ensure that technical regulations are not prepared, adopted or applied with a view to or with the effect of creating unnecessary obstacles to international trade. For this purpose, technical regulations shall not be more trade-restrictive than necessary to fulfil a legitimate objective, *taking account of the risks non-fulfilment would create*. Such *legitimate objectives* are, *inter alia*: . . . protection of *human health* or safety . . . In assessing such risks, relevant elements of consideration are, *inter alia*: available scientific and technical information, related processing technology or intended end-uses of products.[133]

Article 2.2 of the TBT Agreement has not yet been applied in a WTO dispute.[134] However, given the similarity in wording and intention between TBT Article 2.2 and GATT Article XX(b) (which provides an exception for measures 'necessary to protect human, animal or plant life or health'), similar considerations to those discussed above in relation to the GATT Article XX necessity test are likely to apply.[135] For reasons already explained, these considerations suggest that plain packaging is neither an unnecessary obstacle to international trade nor more trade-restrictive than necessary. Moreover, like TRIPS Article XX, TBT Article 2.2 imposes an obligation rather than offering a defence or exception, so the burden of proof would fall on the complainant to show that plain packaging was unnecessary or otherwise inconsistent with Article 2.2. [136]

V THE GATT 1994

In its recent submission to the Australian government on plain packaging, British American Tobacco Australia maintains that, in addition to violating the TRIPS Agreement, Paris Convention and TBT Agreement, plain packaging as envisaged in Australia would violate the GATT 1994 because 'it would prohibit the import of branded tobacco products not conforming to the plain packaging requirements'.[137] This suggests a claim of violation of GATT Article XI:1, which precludes WTO

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[132] See, eg, Panel Report, *European Communities – Trade Description of Sardines*, WTO WT/DS231/R, Corr 1, (adopted 23 October 2002) [7.19].

[133] Emphasis added.

[134] See Panel Report, *European Communities – Protection of Trademarks and Geographical Indications for Agricultural Products and Foodstuffs, Complaint by Australia*, WTO Doc WT/DS290/R (adopted 20 April 2005) [7.515].

[135] See above nn 101-116 and corresponding text.

[136] See Appellate Body Report, *European Communities – Trade Description of Sardines*, WTO Doc WT/DS231/AB/R (adopted 23 October 2002) [275], [282] (holding that the burden of proof is on the complainant under TBT Art 2.4); Appellate Body Report, *EC Measures Concerning Meat and Meat Products (Hormones)*, WTO Doc WT/DS26/AB/R, WT/DS48/AB/R (adopted 13 February 1998) [171] (noting that the burden of proof is on the complainant under SPS Art 3.1); Michael Trebilcock and Robert Howse, *The Regulation of International Trade* (Routledge, 3rd ed, 2005) 217; Erich Vranes, *Trade and the Environment: Fundamental Issues in International Law and WTO Law* (Oxford University Press, 2009) 306. See also above nn 91-95 and corresponding text.

[137] British American Tobacco Australia, *Submission on the Tobacco Plain Packaging Bill 2011* (6 June 2011) 9.

Members from imposing 'prohibitions or restrictions other than duties, taxes or other charges on the importation of any product of the territory of any other Member'.

The relevant draft legislation introduces offences and civil penalties for, *inter alia*, manufacturing, selling or importing non-compliant tobacco products or packaging.[138] On its face, this might suggest a violation of GATT Article XI:1 in the form of a prohibition of imports of certain products from all sources, including all WTO Members. However, as the prohibition applies not only to the importation of non-compliant products but also to their domestic manufacture and sale, it is arguably subject to GATT Article III to the exclusion of Article XI:1.[139] GATT Article III establishes the national treatment obligation, subject to the overarching principles set out in Article III:1,[140] which reads:

> The Members recognize that internal taxes and other internal charges, and *laws, regulations and requirements affecting the internal sale, offering for sale,* purchase, transportation, distribution or use of products, ... should not be applied to imported or domestic products so as to afford protection to domestic production.[141]

If enacted, the Australian draft legislation would constitute a law affecting sale of tobacco products within the meaning of Article III:1. It would fall within the scope of the first paragraph of the supplementary note to GATT Article III, which states:

> Any internal tax or other internal charge, or any *law, regulation or requirement of the kind referred to in paragraph 1 which applies to an imported product and to the like domestic product and is collected or enforced in the case of the imported product at the time or point of importation,* is nevertheless to be regarded as an internal tax or other internal charge, or a law, regulation or requirement of the kind referred to in paragraph 1, and *is accordingly subject to the provisions of Article III.*[142]

Accordingly, the Australian plain packaging measure would be subject to Article III:4, which relevantly provides:

> The products of the territory of any Member imported into the territory of any other Member shall be accorded *treatment no less favourable than that accorded to like products of national origin* in respect of all laws, regulations and requirements affecting their internal sale, offering for sale, purchase, transportation, distribution or use. ...[143]

As already indicated,[144] the Australian plain packaging requirements and associated offences themselves are expressed in non-discriminatory terms and would apply equally to domestic (that is, locally manufactured) and imported tobacco products.

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[138] Australian Government, *Tobacco Plain Packaging Bill 2011 – Exposure Draft* (7 April 2011) ss 20, 22, 24, 26, 27, 28, 33.

[139] GATT 1994, ad art III. See also Panel Report, *European Communities – Measures Affecting Asbestos and Asbestos-Containing Products*, WTO Doc WT/DS135/R, Add.1 (adopted 5 April 2001) [8.99]-[8.100]. Cf Panel Report, *India – Measures Affecting the Automotive Sector*, WTO Doc WT/DS146/R, WT/DS175/R, Corr 1, (adopted 5 April 2002) [7.224]; Peter Van den Bossche, *The Law and Policy of the World Trade Organization: Text, Cases and Materials* (Cambridge University Press, 2nd ed, 2008) 347.

[140] Appellate Body Report, *Japan – Taxes on Alcoholic Beverages*, WTO Doc WT/DS8/AB/R, WT/DS10/AB/R, WT/DS11/AB/R (adopted 1 November 1996) 18.

[141] Emphasis added.

[142] GATT 1994, ad art III (emphasis added).

[143] Emphasis added.

[144] See above n 117 and corresponding paragraph.

Moreover, no *de facto* discrimination is likely to arise in their application because all like products are included within the broad definition of tobacco products in the legislation.[145] Thus, for example, cigarettes are treated no differently from cigars. For this reason, the Australian scheme appears consistent with Article III:4. As the scheme will also apply to all imported products regardless of source (with the draft legislation specifically contemplating that the implementing regulations will provide an exemption from the *Trans-Tasman Mutual Recognition Act 1997* (Cth), ensuring that imports from New Zealand are also covered),[146] no violation of the most-favoured nation ('MFN') provision in GATT Article III:1 is likely to arise either. On the same basis, the Australian scheme as currently envisaged is likely to be consistent with the corresponding national treatment and MFN obligations contained in Article 2.1 of the TBT Agreement.[147]

In any case, even if Article XI applied to the Australian plain packaging measure,[148] and even if the measure was inconsistent with that provision and/or Articles I:1 and III:4, it would be saved under Article XX for reasons explained above in the context of the TRIPS Agreement.[149] Accordingly, on balance, the claim that the measure would be inconsistent with any of Australia's obligations under the GATT 1994 seems weak.

VI CONCLUSION

Our analysis above demonstrates that Australia's plain packaging scheme does not breach Australia's obligations under any WTO agreement. In particular, it does not breach: TRIPS Articles 2.1 or 15.4 because those provisions concern trademark registration, whereas plain packaging affects trademark use; TRIPS Article 17 because that provision concerns exceptions to the rights conferred by trademarks, which—as indicated in TRIPS Article 16—are negative rights to prevent use by others rather than positive rights to use trademarks; or TRIPS Article 20 because even if the scheme encumbers trademarks with special requirements, that encumbrance is justifiable and indeed justified by relevant evidence including the public health objectives of the Australian government, as borne out by the WHO FCTC and its agreed implementing guidelines. The scheme is not covered by the SPS Agreement and is consistent with the TBT Agreement because of its limited impact on trade and its contribution to the legitimate objective of protecting public health. Finally, it does not breach the GATT 1994 because it is non-discriminatory, with a limited impact on international trade and a sound public health basis.

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[145] Australian Government, *Tobacco Plain Packaging Bill 2011 – Exposure Draft* (7 April 2011) s 4. An exclusion applies for products included in the Australian Register of Therapeutic Goods maintained under the *Therapeutic Goods Act 1989* (Cth), but no goods in the current register contain tobacco as an ingredient:
<https://www.ebs.tga.gov.au/ebs/ANZTPAR/PublicWeb.nsf/ingredientsPublic?OpenView>.

[146] Australian Government, *Tobacco Plain Packaging Bill 2011 – Exposure Draft* (7 April 2011) s 94. Exemptions are currently available for up to 12 months. It is envisaged that either a permanent exemption will be obtained or New Zealand requirements will be introduced to conform to the Australian requirements before the end of that period.

[147] TBT Article 2.1 provides: 'Members shall ensure that in respect of technical regulations, products imported from the territory of any Member shall be accorded treatment no less favourable than that accorded to like products of national origin and to like products originating in any other country.'

[148] See above n 139 and corresponding text.

[149] See above section IIC3.

With a bilateral investment dispute on Australia's plain packaging initiative already underway, and a domestic constitutional claim widely anticipated, tobacco companies appear determined to make an example of the Australian government and its bold challenge to their products. They might well succeed in convincing a WTO Member to bring a WTO dispute against Australia. However, for the reasons we have explained, we believe this legal challenge would be a desperate last gasp.