

The TRIPs Compatibility of Australia's Tobacco Plain Packaging Legislation

Althaf Marsoof*

Research Higher Degree Candidate, TC Beirne School of Law, University of Queensland, Australia

The use of tobacco entails negative health consequences. In fact, it is reported that had the ill effects of tobacco been known much earlier in time, tobacco would have been a banned substance. Yet, in today's context tobacco has become part of legitimate trade, and the livelihoods in countries that export tobacco heavily depend on trade in tobacco. In the circumstances, could governments intervene on health and public policy grounds and regulate the manner in which tobacco products are marketed and sold? If so, to what extent? These are precisely the questions that fuel the gruelling dual between tobacco companies and health conscious countries, such as Australia that has recently enacted legislation making mandatory the plain packaging of tobacco products from December 2012. The Australian legislative measure, namely the *Tobacco Plain Packaging Act 2011* (Cth), is currently under attack in several fronts, including the World Trade Organisation, though recently the Australian High Court upheld the constitutionality of the plain packaging legislation. The purpose of this paper is to approach the question of the legality of government intervention in totally prohibiting the striking elements of tobacco packaging from a purely international trademark law point of view. First, the paper identifies the scope of trademark protection as set out in the *Agreement on the Trade Related aspects of Intellectual Property Rights* ("TRIPs") and then goes on to analyse the Australian plain packaging law in the context of its own trademark legislation. Thence, the paper considers whether the Australian plain packaging legislation complies with the core provisions on trademark protection enshrined in TRIPs, and lastly provides a possible compromise to reconcile the competing interests.

Keywords TRIPs; trademark rights; TRIPs plus; tobacco plain packaging; key topics

Introduction

All eyes are on Australia and its recent legislative initiative that proscribes all forms of beautifying elements, including trademarks, from being displayed on tobacco packaging. The success or failure of the Australian legislation will shape global tobacco trade and its future (Radio National, 2012). It is not surprising that the Australian Government's move to implement stringent plain tobacco packaging and its survival of a tightly fought constitutional battle in the Australian High Court case of *JT International SA/British American Tobacco Australia Ltd v Commonwealth of Australia* ("*JTI and BATA*") has been subject to immense controversy (ABC1, 2012). By a majority of 6:1 the High Court in *JTI and BATA* opined that the *Tobacco Plain Packaging Act 2011* (Cth) ("TPP Act") is not contrary to section 51(xxxi) of the Australian Constitution. Section 51(xxxi) of the Australian Constitution provides that "[t]he Parliament shall, subject to this Constitution, have power to make laws for the peace, order, and good government of the Commonwealth with respect to" *inter alia* "the acquisition of property on just terms from any State or person for any purpose in respect of which the Parliament has power to make laws." The plaintiffs in *JTI and BATA*, in a futile attempt, challenged the constitutionality of the TPP Act on the basis that the said Act acquired "property" to which the plaintiffs' had rights on terms that were anything but just.¹ The TPP Act is also under attack in the

*Prof. Suri Ratnapala (Professor of Law, TC Beirne School of Law, University of Queensland) provided me with valuable and critical comments which helped me improve this article immensely. I wish to also acknowledge the input of Ms Patrecia Pais (Research Higher Degree Candidate, TC Beirne School of Law, University of Queensland). However, all errors, if any, remain solely mine. (E-mail: althaf.marsoof@uq.net.au).

investment arena where the tobacco giant Philip Morris International’s Hong Kong affiliate, Philip Morris Asia Limited, has brought arbitral proceedings in the International Centre for Settlement of Investment Disputes (ICSID) under the *Agreement between the Governments of Australia and Hong Kong for the Promotion and Protection of Investments 1993*. To date, Ukraine,² Honduras,³ the Dominican Republic⁴ and, more recently, Cuba⁵ have invoked the dispute settlement process of the World Trade Organisation (WTO) the consequence of which would determine whether the Australian TPP Act complies with Australia’s obligations under the *Agreement on the Trade Related aspects of Intellectual Property Rights* (“TRIPs”). With countries such as the UK,⁶ New Zealand,⁷ Indonesia, China and India⁸ setting the stage for similar legislation, tobacco companies are gearing themselves for a decisive legal encounter that may very well determine their very existence.

This paper, intends to consider the effect of the TPP Act from a purely trademark law point of view, and in doing so will assess whether the legislation conflicts with Australia’s obligations under TRIPs. Australia, being a member of the WTO, requires to comply with both TRIPs, which is one of the several covered agreements of the WTO, and the *Paris Convention for the Protection of Industrial Property 1883* (“Paris Convention”), which is incorporated by reference under Article 2:1 of TRIPs, in ensuring that minimum intellectual property rights are guaranteed to Australia’s trading partners. Accordingly, this paper will, at the outset, lay down the various claims made against Australia in the WTO and then consider those claims in light of Australia’s obligations under TRIPs with the aim of scrutinising the compatibility of the TPP Act with the provisions of TRIPs.

Summary of Claims Brought in the WTO

Ukraine, Honduras, the Dominican Republic and Cuba have claimed that Australia’s plain packaging legislation violate the *General Agreement on Tariffs and Trade* (“GATT”), the *Agreement on Technical Barriers to Trade* and the TRIPs. Given the focus of this paper on trademark rights, this paper summarizes the major claims brought under TRIPs in the table below (note that there are other claims brought under TRIPs which are not considered in this paper).⁹

Country	Articles under the TRIPS
Ukraine	Article 2.1 read with <i>inter alia</i> articles 6quinquies and 7 of the Paris Convention, Articles 15:1, 15:4, 16:1, 16:3 and 20
Honduras	Article 2.1 read with <i>inter alia</i> article 6quinquies of the Paris Convention, Articles 15:4, 16:1, 17 and 20
Dominican Republic	Article 2.1 read with <i>inter alia</i> article 6quinquies of the Paris Convention, Articles 15:4, 16:1 and 20
Cuba	Article 2.1 read with <i>inter alia</i> article 6quinquies of the Paris Convention, Articles 15:4, 16:1 and 20

It is worth noting, and perhaps surprising, that only Honduras has brought a claim under article 17 of TRIPs when it claims that Australia cannot justify its plain packaging measure pursuant to article 8 of TRIPs as necessary to protect human health because it is not consistent with article 17 of TRIPs as a “limited exception” to the rights conferred by a trademark.¹⁰ As it will be demonstrated later in this paper, article 17 of TRIPs plays a crucial role in determining the legitimacy of any domestic legislative measure that has the effect of restricting trademark rights, and the failure by the aforementioned complainants (except for Honduras) to bring a claim under article 17 may stand as a significant disadvantage to those complainants.

The next section of this paper sets out the scope of trademark protection under TRIPs with specific reference to the TRIPs provisions mentioned in the WTO complaints against Australia, and then, moves on to scrutinising the TRIPs compatibility of Australia's tobacco plain packaging legislation.

The Scope of Trademark Protection Under TRIPs

Prior to the establishment of the WTO, intellectual property rights were recognized by two prominent international instruments. These instruments are the *Berne Convention for the Protection of Literary and Artistic Works 1886* and the Paris Convention. Trademark protection, came within the purview of the latter, and was confined to just a few provisions therein. The Paris Convention neither defined the term "trademark," nor spells out the scope of trademark rights. It simply provides in article 6 that member states shall determine the conditions for the filing and registration of trademarks through domestic legislation. The TRIPs, however, provides better guidance as to the nature and scope of trademark rights. Article 15:1 of TRIPs provides that any sign capable of distinguishing the goods or services of one undertaking from those of another shall be capable of constituting a trademark, and becomes eligible for registration.

Therefore, any sign that is capable of performing a distinguishing function would qualify to be registered as a trademark. Yet not all signs must be registered, and WTO members are granted discretion in imposing conditions pertaining to the registrability of a sign. This is apparent on a reading of article 15:2 of TRIPs which provides that "[p]aragraph 1 [of article 15] shall not be understood to prevent a Member from denying registration of a trademark on other grounds, provided that they do not derogate from the provisions of the Paris Convention..." Hence, a perusal of the relevant provisions of the Paris Convention becomes necessary and important to this discussion. Among them, article 6quinquies plays an important role as to the registrability of a sign that is already registered in a Paris Convention state. Accordingly, a sign that has already been registered in a Paris Convention state must be accepted for registration "as is" subject only to the express grounds of denial that are specified therein. Thus, a sign that is sought to be registered under article 6quinquies cannot be refused registration unless when they infringe third party rights in the country where registration is sought, are devoid of distinctive character or are descriptive, or contrary to morality or public order (Paris Convention, article 6quinquies B(i)–(iii)). None of the grounds stated above assists a country attempting to deny or curtail the registration of a trademark on the ground that the product that relates to such mark is harmful to human health and therefore contrary to morality or public order. Unless, the mark in itself is immoral or contrary to public order, the mark has to be registered "as is"—that is in the same *form* it has been registered in the country of origin (*US—Section 211 Omnibus Appropriations Act of 1998*, paragraph 138).

However, if a fresh application is being made for registration outside the priority provisions of the Paris Convention, could a country limit the scope of registration of a mark relating to tobacco products? For example, if a fresh application is made to register a mark relating to a tobacco product; could a condition for registration be imposed such that the sign must be limited to its simple textual form and nothing more? Limiting the scope of registration of signs could be a useful measure to minimize the marketability of tobacco products. This is because it would in turn limit trademark protection to the sign's textual form alone. However, this proposition must be analyzed in light of article 15:4 of TRIPs and article 7 of the Paris Convention.

Although article 6 of the Paris Convention permits a country to determine the conditions for the filing and registration of trademarks, article 7 therein, and article 15:4 of TRIPs, provides that "[t]he nature of the goods or services to which a trademark is to be applied shall in no case form an obstacle to registration of the trademark." Thus, if the ground for limiting the scope of trademark registration of a sign could be traced to the nature of the product for which registration is sought, such a condition would stand afoul of the obligation imposed in terms of the aforesaid provisions. No doubt tobacco products are harmful to humans, but that is due to the very nature of the product. And therefore, no WTO member could refuse the

registration of a sign that is intended to be used in relation to a tobacco product, solely on the ground that the *nature* of the goods are such that they are harmful to humans. It has been suggested by Correa (2007, p. 182) that "... Article 15:4 [of TRIPS] would not allow a Member to deny registration of trademarks for products which are not in the public interest, such as being harmful to health." Thus, it would seem that even a complete ban on tobacco products would not permit a WTO member to refuse the *registration* as a trademark of a distinctive sign that is intended to be used for tobacco products, so long as all other requirements for registration are satisfied. Although one might argue that permitting registration of a mark for a banned product defies all logic and sense, it has been suggested that the rationale for this provision is to eliminate discrimination with regard to the availability of trademark protection based on the types of products or services involved (Correa, 2007, p. 182; Gervais, 2008, p. 270). Thus, what TRIPs compliant options would a country have to curtail the marketing and sale of tobacco products with a view of addressing its public health concerns?

The first option is to ban the product in its entirety (Gervais, 2008, p. 270). This would, however, be the most restrictive measure a WTO member could impose in relation to goods/services that are not in the public interest and is likely to be called into question under the GATT. To-date Bhutan is the only country to impose a total ban on tobacco production and sale (Parameswaran, 2012), but its actions go unchallenged by the WTO membership as Bhutan is still to join the WTO.¹¹ A second option is to control the marketability of tobacco products and their packaging. One possibility is the imposition of requirements that compel the use of health warnings to cover a certain percentage of the tobacco packaging (Fong et al., 2009). Uruguay was one of the first countries to impose such a measure compelling health warnings to be displayed on 80% of the packaging (Bana and Olmedo, 2010). However, Uruguay allowed the use of tobacco related marks, unlike the recent plain packaging legislation in Australia. Philip Morris has invoked the jurisdiction of the ICSID alleging that the Government of Uruguay had misappropriated the tobacco company's intellectual property without paying adequate compensation, in violation of the provisions in the *Agreement between the Swiss Confederation and the Oriental Republic of Uruguay on the Reciprocal Promotion and Protection of Investments 1988*.¹² The dispute is still pending on a matter of jurisdiction.¹³ Another possibility, as Australia has currently imposed, is the complete prohibition of the use of tobacco related trademarks in the form they have been registered. Instead, the use of the mark will be limited to its simple textual form in a standardized font merely to provide the ability to identify the origin of the goods. Except for a limited space for the brand name to be displayed, the remainder of the packaging would contain health warnings. It is this form of limitation that has brought about the most amount of controversy under trademark law. Could such a prohibition be justified under TRIPs?

It must be noted that article 16:1 of TRIPs requires WTO members to guarantee an exclusive right to *prevent* all third parties not having the trademark 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 in a manner so as to cause a likelihood of confusion. It has been suggested that:

... Article 16 of TRIPS is drafted as conferring a negative right to exclude rather than granting a positive right to exploit or use the trademark. Accordingly, Members remain free to pursue legitimate public policy objectives as they may determine when the conditions under Art. 16 can be validly alleged (Schmidt-Pfitzner, 2009, p. 317) (quotation marks omitted).

Correa (2007, p. 182) points out that "article 16 [of TRIPS], [...] defines the exclusive rights of a trademark owner in a negative way (the right to exclude others). Article 15.4 hence, 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." Although a WTO member cannot refuse the *registration* of marks on grounds that relate to the *nature* of the goods concerned, it could impose limitations on the *use* of marks in relation to such dangerous or hazardous goods. Thus, article 16:1

of TRIPs does not guarantee an explicit “right to use” a trademark, though it is possible for a WTO member to guarantee such a right to use over and above the minimum standards imposed by TRIPs, commonly known as TRIPs plus standards (TRIPs, article 1:1).

WTO members are permitted to impose “limited exceptions” to trademark rights in terms of article 17 of TRIPs, which provides that a WTO member may provide limited exceptions to the rights conferred by a trademark provided that such exceptions take account of the legitimate interests of the owner of the trademark and of third parties. Accordingly, if a country was to impose plain packaging for tobacco products, the measure would stand the test in article 17 only if it is (1) a limited exception (2) that takes account of the legitimate interests of the trademark owner and (3) those of third parties. However, in determining the validity of a domestic legislative measure under article 17 of TRIPs, it would be crucial to first determine the meaning of the phrase “rights conferred by a trade mark” appearing in article 17 of TRIPs, a determination that needs to be made having regard to the trademark legislation of the country imposing the legislative measure limiting trademark rights.

Also noteworthy is article 20 of TRIPs which provides that the use of a trademark in the course of trade shall not be unjustifiably encumbered by special requirements, such as use with another trademark, use in a special form or use in a manner detrimental to its capability to distinguish the goods or services of one undertaking from those of other undertakings. Article 20 will play an important role in determining the TRIPs compliance of Australia's plain packaging regime, since it could be argued (as will be expanded later) that limiting tobacco trademarks to standardized text amounts to a “special requirement” imposing a “special form” that diminishes the mark's capacity to distinguish. It is in this backdrop that one must scrutinize the Australian legislation on tobacco plain packaging. The next section of this paper will be devoted for that task.

The Australian Plain Packaging Regime: Is It TRIPs Compliant?

Australia's TPP Act is described as an Act to “discourage the use of tobacco products, and for related purposes” (TPP Act, title page). The primary features of the TPP Act (which became fully operational after 1 December 2012) that affects tobacco packaging may be stated *albeit* briefly as follows:¹⁴

1. The scheme applies to *all* tobacco products, wherein no *retail packaging* could have any decorative elements, ridges, embossing, bulges, other irregularities in shape, or any other embellishments, as well as all glues or adhesives used for the manufacturing of the packaging must be colourless.
2. All cigarette packs and cigarette cartons must be made of cardboard and be rectangular such that all surfaces meet at 90° angles, and further, the edges of the packs or cartons being rigid and straight.
3. All retail packages of tobacco products must have a mat finish and be coloured drab dark brown (this colour code does not apply to text of the brand, business or company names or the product variant name and health warnings that are to be displayed mandatorily on the packages).
4. No retail packaging of tobacco products are permitted to display any trademark, except that the brand, business, company or variant name may appear only in compliance with the prescribed form. No trademark could appear on the tobacco product itself.
5. For example, a brand name could appear on the front outer surface of a cigarette pack horizontally below and in the same orientation as the health warning (there is no mention of the back outer surface because that in its entirety is effectively a health warning) (*vide*, TPP Act, section 21(3) table, item 1).

The message is clear. There is simply no room for the display of any trademarks on retail tobacco packaging. These statutory requirements concerning the packaging of tobacco products must now be considered in light of articles 15, 16, 17 and 20 of TRIPs as well as the *Trade Marks Act 1995* (Cth) (“TM Act”) which is the relevant domestic trademark legislation in Australia. Prior use or intended use of a

trademark is a prerequisite for its registration in Australia (TM Act, section 27(1)(b)(ii)). However, the TPP Act in section 28(1)(a) provides that “[f]or the purposes of the *Trade Marks Act 1995*, and regulations made under that Act, an applicant for the registration of a trade mark in respect of tobacco products *is taken to intend to use the trade mark in Australia in relation to those products*” (emphasis added).¹⁵ Thus, to begin with, the TPP Act does not affect the registrability of signs that relate to tobacco products. Accordingly, the claims brought by Ukraine, Honduras, the Dominican Republic and Cuba under articles 15:1 and 15:4 of TRIPs and article 6quinquies and 7 of the Paris Convention should necessarily fail, as those provisions deal with the registrability of trademarks, an aspect that has been left untouched by Australia's tobacco plain packaging legislation.

Although, Australia permits tobacco related trademarks to be registered in all its glory in the country's trademark register, the measure prohibits the use of tobacco related marks in their original registered form. Almost all tobacco brands have registered marks that go beyond simple word marks. They involve colours, styles and images which combine to form a mark. The effect of the TPP Act is that all figurative elements of a mark are denied the luxury of being displayed. The trademarks of some of the most famous brands have been reduced to just plain one lined text, thus, completely taking away the ability of tobacco manufacturers to use their marks in relation to their own goods. Thus although tobacco companies could register their marks comprising the fullest detail, the use of it is limited to mere plain text.

As discussed under the previous heading, trademark rights (as per article 16:1 of TRIPs) are negative rights, and do not require the grant of exclusive rights to use one's mark. It has been observed that “article 16:1 alludes to the right to exclude the use under certain conditions. It is clearly provided for as a negative right, and not as the right to use the trademark” (Correa, 2007, p. 186). In the more relevant context of tobacco plain packaging, discussing the absence of a right to use a trademark, it was observed that “[a]n examination of the entire matrix of provisions in the Paris Convention and the TRIPS Agreement reveals a coherent system of trademark registration and protection that is entirely consistent with the absence of any right to use a trademark” (Davison, 2012, pp. 82–3). In contrast, some have argued that the spirit of trademark protection is to permit the use of trademarks (Gervais, 2010, paragraphs 30, 57–66), and therefore a total ban on the use of trademarks contradict, not the letter, but the spirit of the international instruments relating to trademark protection (Kur, 1996). According to Frankel and Gervais (2013, p. 31) “[t]here is [...] a leap in logic from saying that because article 16 frames rights as exclusive rights against infringement (“negative rights”), therefore trademark owners have no rights to use (“positive rights”).”

It is noteworthy that Ukraine, Honduras, the Dominican Republic and Cuba have brought claims against Australia under article 16 of TRIPs, on the basis that the Australian plain packaging legislation prevents owners of registered tobacco marks from enjoying the “rights conferred by a trademark.” It is for this reason, that it is important to determine the exact nature and scope of trademark rights conferred by TRIPs (and in particular under article 16 therein). It is necessary to emphasise at this stage that nothing in the TPP Act precludes a tobacco trademark owner from exercising its right to exclude third parties from using its mark without its consent. Alemanno and Bonadio (2011, p. 463) observed:

...the marketing restriction in question does not prevent rights owners from enforcing their rights against infringers, but just entails that rights holders are unable to use their own trade marks. It would, therefore, seem that generic packaging can be implemented without violating article 16(1) and thus be considered lawful.

Thus, the TPP Act does not conflict with the negative right envisaged by article 16 of TRIPs. Accordingly, unless the WTO Dispute Settlement Panel, once constituted to determine the complaints against Australia, is willing to expansively interpret the provisions of TRIPs (and the Paris Convention) to include a “right to use” a trademark, the claims brought under article 16 by the complainants must

necessarily fail—as nothing in the TPP Act precludes tobacco trademark owners from exercising their right to exclude unauthorized third party use. In fact, Frankel and Gervais (2013, p. 39) have argued that “[t]he negative rights approach is too literal and it does not give proper weight to the context and object and purpose aspects of TRIPS...” In this setting, the question as to whether there is a specific “right to use” a trademark becomes crucially important.

At this stage an important observation has to be made concerning the Australian context. That is, when Australia enacted its trademark legislation (in 1995) it guaranteed a trademark owner an exclusive right to use a registered trademark (TM Act, section 20(1)), in addition to providing remedies for infringement in terms of section 20(2) read with section 120 (the negative right envisaged by article 16 of TRIPs). It is unfortunate that those who argue in favour of the plain packaging law, such as Davison (2012, p. 92)—who comments that “[t]he primary right conferred by article 16 is a right to prevent third parties from using a registered trademark. This is not a right to use the trademark”—fail to appreciate this very simple, and perhaps obvious, point. Section 20 of the TM Act enacts that “the registered owner of the trade mark has [...] the exclusive rights: (a) to use the trade mark; and (b) to authorise other persons to use the trade mark; in relation to the goods and/or services in respect of which the trade mark is registered.” The terms “use of a trade mark in relation to goods” has been defined as “use of the trade mark upon, or in physical or other relation to, the goods” (TM Act, section 7). Thus, it would appear that when these provisions are considered together, section 20 of the TM Act entitles a registered trademark owner to use its mark upon, or in physical or other relation to, the goods or services for which the mark has been registered (Evans and Bosland, 2012).¹⁶

Although the decision of the Australian High Court in *JTI and BATA* was on a constitutional matter—raising the question whether any “property” of the tobacco companies was subject to an “acquisition” in favour of the Commonwealth—the views expressed therein concerning the nature of trademark rights in Australia and the TPP Act’s impact on trademark rights are most relevant to this discussion. To begin with, French CJ acknowledged the fact that trademarks were a type of personal property (section 21, TM Act) in respect of which the registered trademark owner has an exclusive right to use and authorize others to use its mark (*JTI and BATA*, paragraph 31). Justice Gummow recognized the exclusive positive right of a trademark owner by stating that “...the exclusive right to use [a trademark] in respect of the goods or services for which there is a registration is *given effect and extended* by the infringement provision in s 120” (*JTI and BATA*, paragraph 72) (emphasis added). Justice Haydon’s judgement, *albeit* dissenting from the majority’s view on the issue of “acquisition” of property, affirmed the above proposition of Gummow J:

The Commonwealth submitted that the intellectual property legislation gave no positive rights to use, only a right to exclude others. The relevant legislation is not expressed in that way. For example, s 20(1)(a) of the *Trade Marks Act* provides that the registered owner of a trade mark has rights “to use a trade mark.” And a right to exclude other from use is not of value unless the owner of the right can engage in use (*JTI and BATA*, paragraph 208).

Moreover, the Queensland Solicitor General (with the support of the Commonwealth Solicitor General) made the following submission in support of the argument that it was only a right to exclude which constituted the “property” in a registered trademark:

... the “exclusive” rights of a registered owner identified in s 20(1) of the [TM Act], to use and authorise use, were directed to the imposition in favour of the registered owner of a duty or obligation upon others, thereby restricting what otherwise was their freedom of use... (*JTI and BATA*, paragraph 76).

Yet, the Queensland Solicitor General's submission only supports the point posited by this paper, that a registered trademark owner is conferred, by the TM Act, a "right to use" a trademark in Australia, as distinct and separate from the right to prevent others from using its trademark. It is a well settled proposition that every "right" has a corresponding "duty" (Hohfeld, 1913, p. 30). Hohfeld (1913, pp. 31–2) having cited *Lake Shore Co. v Kurtz* (1984) where it was observed that a "...duty or a legal obligation is that which one ought or ought not to do. "Duty" and "right" are correlative terms. When a right is invaded, a duty is violated," goes on to provide an example of a "right" and "duty" relationship:

In other words, if X has a right against Y that *he shall stay off the former's land*, the correlative (and equivalent) is that *Y is under a duty toward X to stay off the place* (Hohfeld, 1913, p. 32) (emphasis added).

Accordingly, the "right" that article 16 of TRIPs stipulates is a right to exclude and can be framed in terms of Hohfeld's "right" and "duty" formulation as follows—If X has a right against Y (or the rest of the world) that *Y (or they) shall not use X's trademark without X's consent*, the correlative is that Y is under a duty toward X to abstain from using X's trademark without X's consent. It was that duty—the duty of a third party to restrict the use of a registered trademark—which the Queensland Solicitor General recognized in his submission. Yet, that duty does not, according to Hohfeld's analysis, translate into the correlative right to use one's mark guaranteed in section 20(1) of the TM Act. Rather, it transforms into the right conferred under section 20(2) of the TM Act read with section 120 that guarantees a registered trademark owner the right to prevent third party use—the right to exclude. Therefore, it is submitted with respect, that the Queensland Solicitor General's "right" and "duty" analysis is inaccurate. In fact, in the context of intellectual property, Smith (2007, p. 1752) observed:

Rights to exclude allow use entitlements to be treated largely as Hohfeldian privileges. A privilege does not allow me to sue others for interference; it only means that I cannot be sued for exercising it. Owners may feel that their privileges to use are like "rights to use" because the right to exclude provides such robust protection...

Thus, the right to exclude incorporated in article 16 of TRIPs gives effect to, and protects, a privilege that a trademark owner would usually enjoy in the use of its mark. This relationship between the right to exclude and the use of property was recognized in *JTI and BATA* by French CJ—"... rights to exclude others from using property have no substance if all use of the property is prohibited" (paragraph 37). Smith (2007, p. 1752) submits that "[w]e recognize rights to exclude because people have an interest in use, and the right to exclude, based as it is on a simple on/off signal of violation by boundary crossing, is a very low-cost way to protect these interests." What this means is that the privilege or liberty of a property owner to engage in the use of his property is recognized through the right to exclude others (McCarty, 2002, p. 138; Ratnapala, 2009, p. 306), and therefore in the trademark context, a right to exclude third party use of a mark is ordinarily sufficient to protect the trademark owner's exclusivity in the use of its own mark. Yet, notwithstanding the sufficiency of providing the negative right to exclude envisaged by article 16 of TRIPs, section 20(1) of the TM Act expressly guarantees a "right to use." If, as Crennan J in *JTI and BATA* (paragraph 248) stated "[t]he exclusive right to use the mark is a negative right to exclude others from using it," then there would have been no necessity to expressly guarantee a "right to use" a trademark, when the negative right to exclude could without more guarantee the trademark owner's interests in the exclusive use of its mark. Justice Kiefel cited *Henry Clay & Bock Co Ltd v Eddy* (1915) and *Campomar Sociedad Limitada v Nike* (2000) to point out that "the right subsisting in the owner of a trade mark is a negative and not a positive right" (*JTI and BATA*, paragraph 348). Yet, while *Henry Clay* was a case

decided under the *New South Wales Trade Marks Act* (1865) which did not have an equivalent provision to that of section 20(1) of the TM Act, all that was observed in *Campomar Sociedad* was that a trademark owner's right to use was not an absolute one (*Campomar Sociedad*, paragraph 65).

In the circumstances, this paper argues that the Australian TM Act guarantees a right to use a trademark as a distinct and separate right, and in addition to the right to exclude third party use. Thus, even if the product was tobacco, the owner of a tobacco trademark has an exclusive right to use the mark in its registered form upon its goods. It is quite noteworthy, that the TM Act has not been amended to create an exception to the right to use a mark insofar as tobacco products are concerned. Thus, on the one hand the TM Act explicitly guarantees a right to use one's registered mark in relation to the goods for which the mark was registered, and to the contrary effect, the TPP Act completely takes away the right to use one's trademark in the same form it was registered if the product concerned tobacco. The interaction between the TPP Act and the TM Act makes it abundantly clear that tobacco related trademark owners are robbed of the right to use their marks. In particular, the very fact that the TPP Act clarifies its effect on the various "use" requirements under the TM Act goes to show that the effect of the TPP Act is no doubt to preclude the right to use tobacco related trademarks in the original form they were registered. Thus, but for the clarifications in section 28 of the TPP Act, there are instances where a trademark owner could even lose the registration of his trademark due to non-use.¹⁷ This clarification would clearly entitle an opponent to a non-use application to defend his registration on the basis that "...the trade mark was not used by its registered owner in relation to those goods and/or services during that period because of circumstances [...] that were an obstacle to the use of the trade mark during that period."¹⁸ As Gummow J pointed out in *JTI and BATA* "[t]he rights mentioned in respect of registered trade marks are in substance, if not in form, denuded of their value and thus of their utility by the imposition of the regime under the Packaging Act..." (paragraph 138). The comment expanded further that registered trade marks operated "as a kind of shortcut to get consumers to where they want to go, and in that way perform a key function in the market economy. The system established by the Packaging Act is designed to give the opposite effect to trade mark use, namely by encouraging consumers to turn away from tobacco products" (*JTI and BATA*, paragraph 139) (quotation marks omitted). Thus, the effect of the TPP Act amounts to a "taking" of intellectual property rights (*JTI and BATA*, paragraph 141). Chief Justice French highlighted the distinction between "taking" and "acquisition." Accordingly, "[t]aking involves deprivation of property seen from the perspective of its owner. Acquisition involves receipt of something seen from the perspective of the acquirer" (*JTI and BATA*, paragraph 42). It is also worth noting the views expressed in the dissenting judgement of Heydon J concerning the effect of the TPP Act. Accordingly:

The effect of the impugned legislation is that ... the owners of tobacco trade marks can no longer use them or any part of them on their cigarette packaging or their cigarettes, save to the extent that use of the "brand, business or company name" permitted by s 20(3)(a) is a "word" mark or part of a mark. *Thus each trade mark owner has lost its exclusive right to use its mark* (*JTI and BATA*, paragraph 213) (emphasis added).

Based on the foregoing discussion, the High Court endorsed the view that the TPP Act extinguishes the right of tobacco trademark owners to use their marks in the same form they have been registered, thus, bringing the TPP Act into direct conflict with the TM Act. Moreover, failing an amendment that qualifies the "right to use" provision in the TM Act, the TPP Act would be rendered legally dysfunctional. If a dispute arises that concerns the conflicting provisions, an Australian court will have to use interpretative tools in reconciling the conflict. For instance, a court might find that the provision guaranteeing a "right to use" a trademark has been impliedly repealed to the extent that it conflicts with the TPP Act. Of course, the argument of implied repeal cannot be sustained if a subsequent general law and a previous special law

contain the conflicting provisions. This is because the rule of statutory interpretation known by the Latin maxim *generalia specialibus non derogant*¹⁹ dictates that a subsequent general law cannot repeal a previous special law.²⁰ Thus, a court's conclusion on implied repeal will depend on whether the TM Act is a general law while the TPP Act is of a special character. Arguably, it might be stated that trademark law would apply generally to all forms of marks and products, whereas a law dealing with the packaging of tobacco products is special, in that it applies particularly to tobacco related products and no other. Thus, the maxim *generalia specialibus non derogant* may not apply and the relevant provision in the TPP Act that restricts the use of trademarks in the form it is registered may have the effect of having impliedly repealed the right to use provision in the TM Act to the extent required to give effect to the parliamentary intention that is patently visible from the special tobacco packaging legislation. Yet, even if the conflict between the two provisions is reconciled at a domestic level in this manner it is important to consider its impact under WTO law.

This requires an investigation of the nature of "rights and obligations" under TRIPs. The Appellate Body of the WTO in *Japan—Taxes on Alcoholic Beverages* observed that "[t]he WTO Agreement is a treaty—the international equivalent of a contract" (p. 15). A contract gives rise to rights and obligations, and so does an international treaty. Discussing the meaning of "rights and obligations" in WTO law, it has been suggested that "...a right is a claim accompanied by the ability to enforce that claim [and its] jural correlative is an obligation" (Carmody, 2010). The second sentence of article 1:1 of TRIPs provides that "Members may, *but shall not be obliged to*, implement in their law *more extensive protection* than is required by this Agreement..." (emphasis added) which enables WTO members to provide more extensive protection than what is required under TRIPs. In *EC—Protection of Trademarks and Geographical Indications* a WTO Dispute Settlement Panel observed:

Even if the TRIPs Agreement does not expressly provide for a "right to use a trademark" ... [t]he right to use a trademark is a right that Members may provide under national law (paragraph 7.611).

It cannot be doubted that when the Australian TM Act was enacted it had as one of its goals the bringing into conformity its domestic intellectual property laws with TRIPs.²¹ Thus, by providing a right to use a trademark when all that was required was to guarantee the negative right under article 16:1 of TRIPs, Australia intended in providing more extensive protection. In fact, the WTO Panel in *EC—Protection of Trademarks and Geographical Indications* (at footnote 557) cited section 20(1) of the Australian TM Act as an example where a "right to use" a trademark has been expressly guaranteed under national law, further evidencing the distinct and separate nature of that positive right. Since the guaranteeing of a right gives rise to a corresponding obligation, once Australia had guaranteed a right to use a mark, it also gives rise to a corresponding obligation to guarantee such right to all its trading partners, thus becoming a collective obligation (Carmody, 2008; Gazzini, 2006). Yet, it must be remembered that TRIPs imposes only minimum obligations. As Correa (2007, p. 24) comments "[t]he second sentence of article 1.1 clarifies that the provisions contained in the Agreement constitute minimum standards of protection, and the extent of the Members' basic obligation to give effect to the provisions of the Agreement" (citations omitted). More importantly, Gervais (2008, p. 164) in his comment under article 1:1 of TRIPs confirms that "Member countries may go beyond TRIPs, which thus sets minimum standards. In fact, earlier drafts, including that of Japan and informal drafts in circulation before the Brussels meeting, stated unambiguously that the Agreement contained minimum obligations" (quotation marks omitted). Thus, it would seem that a WTO member would not violate the provisions of TRIPs, so long as it does not implement domestic legislation *below* these minimum TRIPs standards. Does this mean, however, that a member that had granted more extensive protection could at its sole discretion limit

such excess protection? If the answer is in the affirmative, so long as a member does not violate any minimum standard, any excess obligation (TRIPs plus protection) could be limited or withdrawn, and such an act cannot be challenged under any provision of TRIPs. However, this paper argues the opposite. Where a WTO member has willingly provided more extensive protection, such excess protection cannot be limited unless it is in accordance with the TRIPs. Thus, any limitation to a right that is in excess of the minimum standards must still conform to the requirements in article 17 of TRIPs that permits exceptions. This is because article 17 of TRIPs permits WTO members to provide limited exceptions to “rights conferred by a trade mark.” Contrary to what Voon and Mitchell (2012, p. 116) have argued—claiming that article 17 applies only to the negative rights required to be guaranteed by article 16 of TRIPs—this paper argues that the meaning of “rights conferred by a trade mark” appearing in article 17 extends to any additional right a WTO member might have agreed to guarantee pursuant to article 1:1.

Thus, in the Australian context, it is argued that “rights conferred by a trade mark” include the right guaranteed in terms of article 16 (that is, the negative right) as well as the additional right guaranteeing the exclusive right to use a trademark (the positive right). Accordingly, in evaluating the TRIPs compatibility of the Australian TPP Act it would be necessary to take account of the positive right to use a registered trademark guaranteed under the TM Act. It is in this footing that the TPP Act's compatibility with article 17 of TRIPs must be assessed, in particular in view of Honduras's claim that the tobacco plain packaging legislation does not comply with that provision of TRIPs.

Limited Exceptions to “Rights Conferred by a Trade Mark”—Article 17, TRIPs

Article 17 affords WTO members the opportunity of imposing exceptions to trademark rights provided they are (1) limited exceptions (2) that take account of the legitimate interests of the trademark owner (3) and those of third parties. Is the plain packaging law a “limited exception”?

In interpreting the term “limited exception” in light of article 30 of TRIPs, a WTO Panel in *Canada—Patent Protection on Pharmaceutical Products* observed that “[t]he term “limited exception” must [...] be read to connote a narrow exception - one which makes only a small diminution of the rights in question” (paragraphs 7.30–31). The Panel further observed in light of exceptions to patent rights that “[t]o determine whether a particular exception constitutes a limited exception, the extent to which the patent owner's rights have been curtailed must be measured” (paragraph 7.32). Adopting this approach the WTO Panel in *EC—Protection of Trademarks and Geographical Indications* construed the meaning of “limited exception” in the context of trademark rights. Accordingly it was observed that “[t]he limited exceptions apply to the rights conferred by a trademark. They do not apply to the set of all trademarks or all trademark owners. Accordingly, the fact that it may affect only few trademarks or few trademark owners is irrelevant to the question whether an exception is limited. The issue is whether the exception to the rights conferred by a trademark is narrow” (paragraph 7.650) (quotation marks omitted). The WTO Panel's observation that “[t]here is only one right conferred by a trademark at issue in this dispute, namely the exclusive right to prevent certain uses of a sign, provided for in article 16.1” (paragraph 7.651) is evidence that the Panel was only concerned with the “negative rights” guaranteed to trademark owners. And in that context the Panel observed the trademark owner's “right to prevent” others from using a registered mark could be limited in several ways.

An exception may curtail the right in its application to the third parties concerned (*EC—Protection of Trademarks and Geographical Indications*, paragraph 7.653). Thus, an exception might be limited if not all third parties could use a registered mark, but only a certain category was permitted to do so. Secondly, limitations could be imposed as regards the degree of similarity between the marks or the goods/services and thirdly, the degree of the likelihood of confusion that the third party's usage might create. The illustration provided in article 17 of TRIPs concerning the descriptive use of signs demonstrates this limitation, in that a sign which is identical to a registered trademark could be used for purely descriptive

purposes even though it might create a certain degree of confusion (*EC—Protection of Trademarks and Geographical Indications*, paragraph 7.654).

In considering the Australian TPP Act, the Act does not permit or in any way authorize a third party (without the consent of the trademark owner) to use a registered tobacco mark. Therefore, and as pointed out earlier, it could be stated with confidence that the negative right conferred to trademark owners is in no way circumscribed by the TPP Act. In this regard, Alemanno and Bonadio (2011, p. 462) submitted:

It is undisputed that plain packaging does not allow third parties to (mis)use tobacco majors' trade marks, but it is merely a restriction on right owners' ability to use their own trade marks. Under such circumstances, it can be argued that the curtailment of the exclusive trade marks rights is "limited" and there is no violation of TRIPS Article 17.

However, it must be remembered that the Australian TM Act clearly guarantees a "right to use" one's mark (in addition to the negative rights to exclude use by others), and therefore in the Australian context "rights conferred by a trademark" include a "right to use" a registered mark. As such, the analysis under article 17 must be carried out to assess the TPP Act's impact on the right to use, and only if the effect could be justified as a limited exception that it would be legitimate under TRIPs.

Accordingly, the "limited exception" analysis must be repeated in relation to the limitation imposed on this positive trademark right. There is comparatively little scholarship discussing the "right to use" a trademark (Callmann, 1961; Kur, 1996).²² The right to use provision in the Australian TM Act permits owners to use their marks "upon, or in physical or other relation to" the goods. This would include use of the mark on the product itself, on packaging (physical relation) or in advertisements, memos and other documents concerning the goods and used in the course of trade (other relation). Thus, it would be necessary to assess as to what form of use is prohibited in relation to tobacco related goods, and determine if the prohibition could be regarded as a "limited exception." In this regard it is important to note that the TPP Act does not prohibit *all* forms of use of a trademark. It only prohibits the use of trademarks on all forms of retail tobacco packaging (Evans and Bosland, 2012).²³ However, it must be noted that retail packaging and the information contained therein are crucial in reaching consumers, and it might be argued that although the type of prohibition is limited to only retail packaging, the prohibitive measure would not qualify as a "limited exception." In fact, Heydon J's observation in *JTI* and *BATA* that "... in reality the area for the most valuable use of the marks is removed: connection with retail consumers as they purchase and use tobacco products" (paragraph 214) casts doubts on whether the Australian plain packaging legislation creates a "limited exception" to trademark rights.

Even assuming that the Australian measure amounts to a "limited exception," the analysis under article 17 has to go further and consider whether the TPP Act has "taken account of the legitimate interests of the owner of the trademark and of third parties" (TRIPs, proviso to article 17). Legitimate interests do not share the same breed as rights, but are of a lesser standard (*EC—Protection of Trademarks and Geographical Indications*, paragraph 7.662). A legitimate interest has been defined by a WTO Panel as "...a normative claim calling for protection of interests that are 'justifiable' in the sense that they are supported by relevant public policies or other social norms" (*Canada—Patent Protection on Pharmaceutical Products*, paragraph 7.69). The Panel in *EC—Protection of Trademarks and Geographical Indications* observed:

Every trademark owner has a legitimate interest in preserving the distinctiveness [...] of its trademark... This includes its interest in using its own trademark in connection with the relevant goods and services of its own and authorized undertakings (paragraph 7.664) (emphasis added).

The right to use one's mark in relation to the goods for which it was registered has been recognized as a legitimate interest. Given that in Australia, the right to use a mark has been expressly guaranteed, one cannot dispute that this would form a strong right, if not at least a legitimate interest, that a trademark owner could benefit from. Of course, not only the legitimate interests of trademark owners, but also those of third parties must be taken account of in debating the legitimacy of an exception. The Panel in *EC—Protection of Trademarks and Geographical Indications* provided some useful hints as to who would comprise the category of “third parties.” Accordingly, the Panel seconded the disputants' consensus that “third parties” for the purposes of article 17 include consumers (*EC—Protection of Trademarks and Geographical Indications*, paragraph 7.676). In fact, the very purpose of trademarks is to perform the function of an indicator of trade origin and is crucial in eliminating consumer confusion. Thus, consumers would no doubt form an important third party. And in this regard it must be observed that the inability to display trademarks on the retail packaging of tobacco products has the potential of contributing towards consumer confusion, or to at least its lesser evil, initial interest confusion.²⁴ This would however depend on the manner in which tobacco products are sold. For instance, in Queensland, Australia, tobacco products can be kept only at a single point of sale in a retail store, on the seller's side and hidden from the public. Only a limited area of 1 m² of the range of tobacco products could be made visible to the consumer (known as “fleeting incidental view”) to the extent sufficient to carry out activities in the ordinary course of the supplier's business.²⁵ In such circumstances it is hard to imagine that a hard-core smoker would get confused as to the product he desires. It would be a matter of requesting the relevant brand from the seller and being provided with it. However, in the case of a new entrant to the smoking habit, such requirements regulating over-the-counter sales, coupled with the lack of any trademarks being displayed on the package, would render the purchasing decision more difficult. This is probably the aim of the plain packaging regime, and therefore those who are new to smoking, or those who have not yet been overcome by the smoking habit, are relevant third parties whose legitimate interests are kept in mind by a government implementing a plain packaging regime. Whether Australia's plain packaging regime complies with article 17 of TRIPs would have to be tested weighing all legitimate interests concerned. Since a trademark owner's legitimate interest to preserve the distinctiveness of its trademark, which could only be achieved through the use of such trademark in relation to goods or services, has been already effectively recognized by a WTO Dispute Settlement Panel, that legitimate interest would no doubt carry significant weight in assessing the legitimacy of Australia's tobacco plain packaging law. Yet, given that only Honduras has framed a claim under article 17 of TRIPs, unless the other complaining WTO members amend their complaints to reflect a challenge of Australia's plain packaging law under article 17, the success of their complaints would be significantly undermined.

Unjustified Encumbrances by the Imposition of Special Requirements—Article 20, TRIPs

The complaints against Australia in the WTO challenge the validity of the tobacco plain packaging legislation under article 20 of TRIPs. In terms of article 20, the use of a mark in the course of trade cannot be unjustifiably encumbered by the imposition of “special requirements,” such as “use in a special form or use in a manner detrimental to its capability to distinguish...” Thus, the analysis must begin by considering whether plain packaging imposes “special requirements” that require trademarks to be used in a special form leading to a diminished capacity to perform the function of indicating trade origin. It has been suggested that “...plain packaging [...] requires the brand name to be used “in a special form,” that is, such name should (i) be written in a standard form, (ii) be of a particular font and (iii) have letters of a specified size, which would confirm that this marketing restriction falls within the scope of article 20” (Alemanno and Bonadio, 2011, p. 464). Thus, the next concern would be whether the measure is an “unjustifiable” encumbrance. In this regard, a weighing of relevant public interests must be carried out. Plain packaging is no doubt aimed at reducing smoking in order to improve the quality of health, and

article 20 must be viewed in light of article 8 of TRIPs (Mitchell, 2010, p. 413) which provides *inter alia* that “Members may, in formulating or amending their laws and regulations, adopt measures necessary to protect public health and nutrition ... provided that such measures are consistent with the provisions of this Agreement.” Also important in this regard is the WTO’s *Declaration on the TRIPs and Public Health* (adopted in Doha in the year 2001) (“*Doha Declaration*”) that provides:

We agree that the TRIPS Agreement does not and should not prevent members from taking measures to protect public health. Accordingly, while reiterating our commitment to the TRIPS Agreement, we affirm that the Agreement can and should be interpreted and implemented in a manner supportive of WTO members’ right to protect public health... (paragraph 4).

Yet, while article 8 of TRIPs contains an important proviso that any public health related measure must be consistent with the other provisions of TRIPs, the *Doha Declaration* is only a declaration and does not by any means amend the provisions of TRIPs (Gervais, 2010, paragraph 52). Moreover, the right of governments to protect its citizens’ health must be contrasted with the consequence of plain packaging in increasing the risk of consumer confusion, another public interest that is just as important as protecting health (Alemanno and Bonadio, 2011, p. 464).

An argument has been made regarding the scope of article 20 to the effect that it only “outlaws just positive encumbrances on the use of trade marks (e.g. an obligation on foreign owners to use their trade marks together with the signs of local licensees), but not those requirements restricting or prohibiting the use of the sign” (Alemanno and Bonadio, 2011, p. 465).²⁶ This argument seems to be predicated on an overall interpretation of articles 20 and 16—that these provisions cannot be interpreted as creating a positive right to use a trademark. However, the point must be made that the Australian context cannot be considered without taking account of the express positive right to use a mark that the TM Act creates. Thus, the argument that article 20 could only outlaw positive encumbrances could only be sustained, if at all, when a WTO member has guaranteed only the negative right envisaged by article 16 of TRIPs. Moreover, nothing in the plain textual reading of article 20 justifies restricting its scope to only positive restrictions on the use of marks. In any case, what the TPP Act really does is not to completely ban the use of trademarks, but to impose special standards concerning the use of trademarks on tobacco products and their retail packaging—at least as regards tobacco trademarks that comprise of letters, words or numbers.

This leads to an important consideration concerning tobacco marks that may comprise of only figurative elements and combinations of colours (without containing any letters, words or numbers). It cannot be disputed that a simple figurative sign could become distinctive to indicate the origin of a product. Such marks, however, cannot be translated to form a “brand name” that could be legitimately displayed under the TPP Act. In relation to such tobacco marks the operation of the TPP Act would have the most restrictive consequences leading to a complete prohibition on the use of the mark in its registered form. It appears from the judgement of Crennan J in *JTI and BATA* that the Court was influenced by the translatability of the plaintiffs’ registered tobacco marks into permitted “brand names” under the plain packaging regime. As it was observed “[t]he complaint that the plaintiffs were deprived of the “substance” and “reality” of their proprietorship in their property because they could not use their registered trade marks as registered, or their associated product get-up, left out of account the significance of their ability to continue to use their brand names so as to distinguish their tobacco products, thereby continuing to generate custom and goodwill” (*JTI and BATA*, paragraph 294). This indicates that the effect of the TPP Act for tobacco marks would depend on the nature of marks. The closer the mark is to a letter, word or number, the lesser the impact. The closer it is to a picture, more restraint is felt by the operation of the TPP

Act. This, arguably, might give rise to discriminatory consequences, which in general the WTO strives to eliminate.

Accordingly, at least in the context of Australia, there is a strong case that article 20 should apply to determine the legality of its plain packaging legislation, and that the requirements imposed by the TPP Act prohibiting the use of marks on tobacco products and retail packaging in the same form they are registered, amounts to a *special requirement* that requires trademarks to be used in a *special form* which encumbers their *capability to distinguish*. Thus, the only question remaining would be whether such encumbrance is justifiable, which is to be determined on the weight each public policy consideration carries, and more importantly, whether less restrictive alternatives are available that carries out the public health objectives of plain packaging.

A Possible Compromise

In order to propose a compromise it is necessary to assess (1) the objectives of the plain packaging law and (2) the functions of a trademark. A compromise would be reached if tobacco trademarks are able to properly function while enabling an interested government to achieve the goals of plain packaging. Section 3 of the TPP Act sets out its objectives and they aim to:

- a. discourage people from taking up smoking, or using tobacco products,
- b. encourage people to give up smoking, and to stop using tobacco products,
- c. discourage people who have given up smoking, or who have stopped using tobacco products, from relapsing, and
- d. reduce people's exposure to smoke from tobacco products (TPP Act, section 3(1)).

The TPP Act proposes to achieve these objectives by reducing the appeal of tobacco products to consumers, increasing the effectiveness of health warnings on the retail packaging of tobacco products and reducing the ability of the retail packaging of tobacco products to mislead consumers about the harmful effects of smoking or using tobacco products (TPP Act, section 3(2)).

It is then necessary to identify the functions of a trademark. It is suggested that the primary function of a trademark is "...to identify the origin or ownership of the goods to which it is affixed" affixed" (*Hanover Star Milling Co. v Metcalf*). The Australian context too shares this view and suggests that "... although trade marks may convey a range of messages and meanings, it is their function as an indication of trade source that remains central" (Burrell and Handler, 2010, p. 2). Irrespective of whether the actual origin is known, a consumer understands a trademark as an indication of trade origin, and expects the products associated with a particular trademark to maintain certain qualities to which consumer relates at the time of purchase. By guaranteeing the source and quality of a product, a trademark significantly reduces consumer search costs (Dogan and Lemley, 2004, p. 806). Therefore, it is clear that the most crucial function of trademarks relate to the time of purchase, and not after. Any compromise between tobacco companies and governments will have to be reached having regard to these basic ideas.

A possible technique that may be employed, if it stands the test of pragmatism, is to permit the use of tobacco trademarks in the same form they have been registered (even in a limited and confined space on the packaging) but to compel, by legislation, the tobacco seller to remove the mark from the packaging immediately *after* the time of sale. This could be made possible by permitting the use of removable marks, such as in a sticker which could be removed without causing damage to the remaining components of the packaging. Health warnings could be printed on all sides of the tobacco packaging, except that until a retail sale is made, a removable trademark will be placed on one side of the packaging to enable consumers to identify the product. Thus, *prior to* and *at the time of sale*, the mark would be intact on the packaging, but

not after. The moment the seller removes the trademark, it will uncover the remainder of the health warnings, thus leaving the consumer with nothing but a package of health warnings and graphic images. In effect, the trademark would comprise a removable sticker. This is not only in line with the *first sale* doctrine²⁷ and might be a useful compromise to preserve the interests of the tobacco trademark owners, but also totally eliminates the after sale promotional effect of tobacco trademarks.

Would such an arrangement be regarded as a legitimate measure under article 17 of TRIPs? This measure does not prevent a tobacco trademark owner from preventing any third party from applying its mark on third party goods. It in fact permits a tobacco trademark owner to use its mark in relation to its products, until the time of sale. Trademark rights, arguably, do not extend beyond the time of sale, as the entire basis of trademark protection is to alleviate consumer confusion at the time of sale. Thus, once the goods are consumed, there is no necessity to grant further trademark protection. Accordingly, the use of a removable sticker as a tobacco trademark would not detract from the legitimate interests of the trademark owner, which include the interest of preserving a mark's distinctiveness through its use in relation to goods or services, in particular at the time of sale. The legitimate interests of the government are protected, as immediately after a sale, the sticker comprising the tobacco mark is removed from the packaging, leaving a greater percentage of health warnings to be displayed than that is capable under the current TPP Act. Given the complete eradication of the after sales promotional capacity of tobacco packaging, the legitimate interests of the public (in particular, the interests of those who remain non-smokers), are also met.

Of course, some jurisdictions (in particular, the United States) recognize the doctrine of "post-sale confusion," significantly extending the scope of trademark protection to circumstances beyond the time of sale (McCarthy, 1999, p. 3338). Any tobacco plain packaging legislation would no doubt affect the ability of trademarks to eliminate post-sale confusion. Yet, in achieving the balance between the interests of tobacco trademark owners and the interests of public health, the existence of post-sale confusion is a phenomenon that might be tolerated and preferred over the post-sale promotional impact tobacco packages otherwise stand to have on the public. In the circumstances, cost and technology permitting, a removable trademark might be an effective compromise between the competing rights and interests of all concerned parties.

Conclusion: Lessons From the Australian Experience

The analysis concerning the compatibility of the Australian TPP Act with some of the core provisions of TRIPs is relevant for countries that might adopt a similar plain packaging scheme in future. It can be safely said that the TPP Act neither conflicts with any of the provisions in TRIPs or the Paris Convention that relate to the registration of marks, nor with article 16 of TRIPs that guarantees that every trademark owner has a right to exclude third parties from using a registered trademark without the trademark owner's consent. This is because nothing in the TPP Act seeks to proscribe (1) the ability of tobacco companies to register their tobacco trademarks in Australia's trademarks register, and (2) the right of tobacco trademark owners to prevent third parties from using their marks without the necessary authorization.

However, in the case of Australia, it has expressly guaranteed a registered trademark owner the exclusive right to use its mark in terms of section 20(1) of the TM Act. This is in addition to the right to exclude, guaranteed under section 20(2) read with section 120 of the TM Act (that gives effect to article 16 of TRIPs). Similarly, trademark legislation in countries such as China²⁸ Singapore,²⁹ Indonesia,³⁰ India³¹ and Sri Lanka³² all guarantee "a right to use" a trademark in addition to the right to exclude. This must be contrasted with the *European Union Trade Marks Directive*³³ which has been transposed into the domestic laws of European Union member states such as the UK,³⁴ which only provides the negative right to exclude. This distinction is important, as once a right to use a trademark has been expressly guaranteed

under a WTO member's domestic law (as in the case of Australia), it gives rise to a corresponding obligation under WTO law to keep that right alive. Any measure, legislative or otherwise, that interferes with trademark rights—which in Australia's case includes both a right to use and exclude—would only be justified if it does not contravene the provisions of TRIPs, especially articles 17 and 20. Even assuming that at a domestic level, courts find that the right to use provision in the TM Act has been impliedly repealed by the TPP Act, Australia may still be found guilty of breaching its obligations under the TRIPs, unless the limitation of such "TRIPs plus" right complies with the TRIPs framework.

To date, many countries, including the UK, Egypt, Singapore, India and a majority of the Latin American countries, have regulated the retail marketing of tobacco products by requiring a significant portion of the pack to display health warnings (at least 30%), yet permitting trademarks to be displayed. Uruguay has required 80% of the pack to display health warnings (which measure has been challenged in the ICSID). Sri Lanka, through its *Tobacco Products (Labelling and Packing) Regulation 2012* (2012), has been the latest country to implement regulation requiring at least 80% of tobacco packs to contain graphic health warnings. It might be worth considering whether such an approach is more desirable (over plain packaging) as it least interferes with trademark rights, but at the same time conveys a powerful message about the ill consequences of smoking. It has been observed that "[t]he use of graphic pictures is an important means of replacing those positive associations with negative associations, which is far more appropriate given the devastating impact of tobacco products on global health" (Fong et al., 2009). Alternatively, this paper proposes a removable trademark to be employed. This would require a tobacco retailer to remove the tobacco trademark immediately after the sale of a tobacco pack to a consumer, leaving behind on the packaging only health warnings. This way, a measure aimed at protecting public health would be considered reasonable, which carries out a government's obligation towards its citizens in a way that it least interferes with trademark rights.

About the Author

Althaf Marsoof holds a Bachelor of Science degree in Information Technology from the Curtin University of Technology, Australia and a Master of Law degree in Commercial Law from Cambridge University, UK. Having been admitted as an Attorney-at-Law of the Supreme Court of Sri Lanka in 2007, he currently serves as a State Counsel attached to the Attorney General's Department of Sri Lanka. He has currently obtained leave from work to pursue the Research Higher Degree program at the University of Queensland, Australia; e-mail: althaf.marsoof@gmail.com.

Notes

1. See, written submission of JT International SA (filed on 28 March 2012) and the written submission of British American Tobacco Australia Ltd (filed on 26 March 2012).
2. *Australia—Certain Measures Concerning Trademarks and Other Plain Packaging Requirements Applicable to Tobacco Products and Packaging* (complaint by Ukraine).
3. *Australia—Certain Measures Concerning Trademarks, Geographical Indications and Other Plain Packaging Requirements Applicable to Tobacco Products and Packaging* (complaint by Honduras).
4. *Australia—Certain Measures Concerning Trademarks, Geographical Indications and Other Plain Packaging Requirements Applicable to Tobacco Products and Packaging* (complaint by Dominican Republic).
5. *Australia—Certain Measures Concerning Trademarks, Geographical Indications and Other Plain Packaging Requirements Applicable to Tobacco Products and Packaging* (complaint by Cuba).
6. ABC-News (2012a).

7. ABC-News (2012b).
8. ABC-News (2012c). See also, Grills and Mattoo (2012).
9. This table has been compiled using information derived from documents made available in the WTO website.
10. *Request for the Establishment of a Panel by Honduras* WT/DS435/16 (17 October 2012).
11. See WTO website for accession status of Bhutan http://www.wto.org/english/thewto_e/acc_e/a1_bhoutan_e.htm viewed 14 November 2012.
12. *Philip Morris v Uruguay*.
13. For procedural history, see ICSID website <https://icsid.worldbank.org/ICSID/FrontServlet?requestType=CasesRH&reqFrom=ListCases&caseId=C1000&actionVal=viewCase> viewed 14 November 2012.
14. Packaging requirements are found in Part 2 of the TPP Act.
15. It must be noted that the rest of section 28 of the TPP Act aims to clarify the position that the lack of use of tobacco trademarks as a result of the TPP Act would be taken into account in relation to the implications of *non-use* under the relevant provisions of the TM Act.
16. Evans and Bosland argue that the Australian trademark regime guarantees a trademark owner the "right to use" its registered mark.
17. See, e.g., section 28(4) of the TPP Act read with sections 92(4)(b) and 100(1)(c) of the TM Act.
18. TM Act, section 100(3)(c). This provision (along with the clarifications in the TPP Act) is required to comply with article 19 of TRIPs which in its last sentence provides that "[c]ircumstances arising independently of the will of the owner of the trademark which constitute an obstacle to the use of the trademark, such as import restrictions on or other government requirements for goods or services protected by the trademark, shall be recognized as valid reasons for non-use."
19. The principle is summarised in Halsbury's Laws of England (4th ed., vol 44, no 1) at paragraph 1,300 as follows: "It is difficult to imply a repeal where the earlier enactment is particular, and the later general. In such a case the maxim *generalia specialibus non derogant* (general things do not derogate from special things) applies. If Parliament has considered all the circumstances of, and made special provision for, a particular case, the presumption is that a subsequent enactment of a purely general character would not have been intended to interfere with that provision; and therefore, if such an enactment, although inconsistent in substance, is capable of reasonable and sensible application without extending to the case in question, it is *prima facie* to be construed as not so extending."
20. Applied in *Hoger v Gibson*; *Ex parte Hoger*.
21. As seen from the TM Act (in its title page) one of its purposes was to bring Australia's domestic trademark law in conformity "...with the minimum standards and principles prescribed for trade marks in the Agreement Establishing the World Trade Organization."
22. Callmann (1961) comments that "[i]t would seem, therefore, that the necessary concomitant of the right to use should be the right to exclude others from such use" (p. 1210).
23. Trademarks can still be used in the context of wholesale as well as in documents such as invoices.
24. This is a concept unique to the United States; where courts find trademark infringement in situations where the consumer is only confused initially but not at the time of purchase. See e.g., cases such as *Mobil Oil Corp. v Pegasus Petroleum Corp* and *Brookfield Communications Inc. v West Coast Entertainment Corporation*.
25. See e.g., Queensland Health website http://www.health.qld.gov.au/tobaccolaws/documents/reqs_retailers.pdf viewed 14 November 2012.
26. Alemanno and Bonadio cite footnote 558 in p.136 of the Panel report in *EC—Protection of Trademarks and Geographical Indications* in support of their view).
27. This is also known as the rule of exhaustion of trademark rights. See, *Sebastian Int'l v Longs Drug Stores Corp.* ("[C]ourts have recognized a basic limitation on the right of a trademark owner [...] to control the distribution of its own products. ... [T]he right of a [trademark owner] to control distribution of its trademarked product *does not extend beyond the first sale of the product*" (emphasis added)). Thus, this doctrine allows a retailer to remove a stickered trademark immediately *after* the sale of a tobacco product to a consumer.

28. Trademark Law 1982, article 52.
29. *Trade Marks Act* (1998), section 26.
30. *Trademark Law* (1997) (as amended in 2001), article 3.
31. Trade Marks Act 1999, section 28.
32. Intellectual Property Act 2003, section 121(1).
33. *European Union Trade Marks Directive* (Directive 2008/95/EC), article 5(1).
34. Trade Marks Act (1994), section 9.

References

- ABC1. (2012) *Court Clears Plain Packaging for Cigarettes*, 7:30 broadcast dated 15.8.2012 [online]. Available at <<http://www.abc.net.au/7.30/content/2012/s3568775.htm>> [Accessed February 20, 2013].
- ABC-News. (2012a) *Australia Inspires UK on Cigarette Plain Packaging*, broadcast dated 14.4.2012 [online]. Available at <<http://www.abc.net.au/news/2012-04-14/australia-inspires-uk-to-look-for-cigarette-plain-packaging/3950160>> [Accessed February, 20 2013].
- ABC-News. (2012b) *Tobacco Giant Rallies Against NZ Plain Packaging*, broadcast dated 22.8.2012 [online]. Available at <<http://www.abc.net.au/news/2012-08-22/nz-cigarettes/4215880>> [Accessed February 20, 2013].
- ABC-News. (2012c) *Will Plain Cigarette Packaging Make it in Asia?*, broadcast dated 19.8.2012 [online]. Available at <<http://www.abc.net.au/news/2012-08-18/will-plain-cigarette-packaging-make-it-in-asia/4208232>> [Accessed February 20, 2013].
- Agreement between the Government of Australia and the Government of Hong Kong for the promotion and Protection of Investments* 1993.
- Agreement between the Swiss Confederation and the Oriental Republic of Uruguay on the Reciprocal Promotion and Protection of Investments* 1988.
- Agreement on the Trade Related aspects of Intellectual Property Rights* 1994 (TRIPs).
- Alemanno, A. and Bonadio, E. (2011) 'Do you mind my Smoking? Plain packaging of cigarettes under the TRIPs Agreement', *The John Marshall Review of Intellectual Property Law*, 10(3), 450–75.
- Australia—Certain Measures Concerning Trademarks and Other Plain Packaging Requirements Applicable to Tobacco Products and Packaging (complaint by Ukraine)* WT/DS434.
- Australia—Certain Measures Concerning Trademarks, Geographical Indications and Other Plain Packaging Requirements Applicable to Tobacco Products and Packaging (complaint by Honduras)* WT/DS435.
- Australia—Certain Measures Concerning Trademarks, Geographical Indications and Other Plain Packaging Requirements Applicable to Tobacco Products and Packaging (complaint by the Dominican Republic)* WT/DS441.
- Australia—Certain Measures Concerning Trademarks, Geographical Indications and Other Plain Packaging Requirements Applicable to Tobacco Products and Packaging (complaint by Cuba)* WT/DS458.
- Bana, A. and Olmedo, J.G. (2010) *Smoke in Signs: A Trendsetting Tussle Between Tobacco Trademarks, Treaties and Public Health Policy*, IBA Convergence [online]. Available at <<http://www.ibanet.org/Publications/Convergence/Bana.aspx>> [Accessed February 20, 2013].
- Berne Convention for the Protection of Literary and Artistic Works of 1886* (as revised).
- Brookfield Communications Inc. v West Coast Entertainment Corporation* 50 U.S.P.Q.2d 1545.
- Burrell, R. and Handler, M. (2010) *Australian Trade Mark Law*. Oxford University Press, Melbourne.
- Callmann, R. (1961) 'Trademarks: The Right to Use vs. The Right to Register: The Dunhill Case', *Trademark Representative*, 10(3), 1209–15.
- Campomar Sociedad Limited v Nike International Limited* [2000] HCA 12.
- Canada—Patent Protection on Pharmaceutical Products (complaint by the European Communities)* (WT/DS114/R).
- Carmody, C. (2008) 'A theory of WTO law', *Journal of International Economic Law*, 11(3), 527–58.

- Carmody, C. (2010) *Rights and Obligations in WTO Law*, WTO Scholars' Forum dated 21.10.2010 [online] Available at <<http://www.ucl.ac.uk/laws/wto-forum/docs/Rights-and-ObligationsWTO-Law.pdf>> viewed 14 November 2012 [Accessed February 20, 2013].
- Commonwealth of Australia Constitution Act* (The Australian Constitution).
- Correa, C.M. (2007) *Trade Related Aspects of Intellectual Property Rights: A Commentary on the TRIPS Agreement*. Oxford University Press, Oxford.
- Davison, M. (2012) 'The legitimacy of plain packaging under international intellectual property law: why there is no right to use a trademark under either the Paris Convention or the TRIPS Agreement', in A. Mitchell, T. Voon and J. Liberman, (eds.), *Public Health and Plain Packaging of Cigarettes: Legal Issues*. Edward Elgar, Cheltenham, pp. 81–108.
- Declaration on the TRIPs and Public Health* (adopted in Doha on 14 November 2001).
- Dogan, S.L. and Lemley, M.A. (2004) 'Trademarks and Consumer Search Costs on the Internet', *Houston Law Review*, 41, 777–838.
- Evans, S. and Bosland, J. (2012) 'Plain Packaging of Cigarettes and Constitutional Property Rights', in A. Mitchell, T. Voon and J. Liberman, (eds.), *Public Health and Plain Packaging of Cigarettes: Legal Issues*. Edward Elgar, Cheltenham, pp. 48–80.
- EC—Protection of Trademarks and Geographical Indications (complaint by the United States)* (WT/DS174/R).
- European Union Trade Marks Directive* (Directive 2008/95/EC).
- Fong, G.T., Hammond, D. and Hitchman, S.C. (2009) 'The impact of pictures on the effectiveness of tobacco warnings', *Bulletin of the World Health Organization*, 87, 640–3.
- Frankel, S. and Gervais, D. (2013) 'Plain Packaging and the Interpretation of the TRIPS Agreement', *Vanderbilt Journal of Transnational Law* (forthcoming) [online]. Available at <<http://ssrn.com/abstract=2234580>> [Accessed June 30, 2013].
- Gazzini, T. (2006) 'The Legal Nature of WTO Obligations and the Consequences of their Violation', *European Journal of International Law*, 17(4), 723–42.
- Gervais, D. (2008) *Analysis of the TRIPS Agreement*, 3rd edition. Sweet & Maxwell, London.
- Gervais, D. (2010) *Analysis of the Compatibility of Certain Tobacco Product Packaging Rules with the TRIPS Agreement and the Paris Convention*, publication dated 30.11.2010 [online]. Available at <<http://www.jti.com/files/8513/4122/2680/Gervais.pdf>> [Accessed February 20, 2013].
- Grills, N., and Mattoo, A. (2012) *Plain Tobacco Packaging in India: A Giant Leap for Global Public Health*, The Conversation (dated 5.9.2012) [online]. Available at <<http://theconversation.edu.au/plain-tobacco-packaging-in-india-a-giant-leap-for-global-public-health-9116>> [Accessed February 20, 2013].
- Halsbury's Laws of England* (4th ed., vol. 44, no 1).
- Hanover Star Milling Co. v Metcalf* 240 U.S. 403, 412 (1916).
- Henry Clay & Bock & Co Ltd v Eddy* [1915] HCA 33.
- Hoger v Gibson; Ex parte Hoger* (1987) 1 Qd R 419.
- Hohfeld, W.N. (1913) 'Fundamental Legal Conceptions', *Yale Law Journal*, 23(1), 16–59.
- Intellectual Property Act* 2003 (Sri Lanka).
- Japan—Taxes on Alcoholic Beverages* (WT/DS8/AB/R, WT/DS10/AB/R & WT/DS11/AB/R).
- JT International SA v Commonwealth of Australia and British American Tobacco Australasia Limited and others v Commonwealth of Australia* [2012] HCA 43 (5 October 2012).
- Kur, A. (1996) '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?', *European Intellectual Property Review*, 18(4), 198–203.
- Lake Shore & M.S.R. Co. v Kurtz* (1894) 10 Ind. App., 60.
- McCarty, L.T. (2002) 'Ownership: A Case Study in the Representation of Legal Concepts', *Artificial Intelligence and Law*, 10, 135–61.

- McCarthy, A.M. (1999) 'The Post-Sale Confusion Doctrine: Why the General Public Should be Included in the Likelihood of Confusion Inquiry', *Fordham Law Review*, 67, 3337–69.
- Mitchell, A. (2010) 'Australia's Move the Plain Packaging of Cigarettes and Its WTO Compatibilities', *Asian Journal of WTO & International Health Law & Policy*, 5(2), 405–25.
- Mobil Oil Corp. v Pegasus Petroleum Corp* 2 U.S.P.Q.2d 1677.
- Parameswaran, G. (2012) *Bhutan Smokers Huff and Puff Over Tobacco Ban*, Aljazeera-Features dated 28.9.2012 [online]. Available at <<http://www.aljazeera.com/indepth/features/2012/09/201292095920757761.html>> [Accessed February 20, 2013].
- Paris Convention for the Protection of Industrial Property of 1883* (as revised).
- Philip Morris Brand Sàrl (Switzerland) and others v. Oriental Republic of Uruguay ICSID Case No. ARB/10/7.
- Radio National. (2012) *Plain Packaging Decision: Will Other Countries Follow?*, Breakfast broadcast dated 16.8.2012 [online]. Available at: <<http://www.abc.net.au/radionational/programs/breakfast/plain-packaging-decision-will-other-countries-follow/4201866>> [Accessed February 20, 2013].
- Ratnapala, S. (2009) *Jurisprudence*. Cambridge, Melbourne.
- Request for the Establishment of a Panel by Honduras WT/DS435/16 (17 October 2012).
- Sebastian Int'l v Longs Drug Stores Corp.*, 53 F.3d 1073, 1074, 34 U.S.P.Q.2d (BNA) 1720 (9th Cir. 1995).
- Smith, H.E. (2007) 'Intellectual Property as Property: Delineating Entitlements in Information', *Yale Law Journal*, 116(8), 1742–822.
- Schmidt-Pfzner, J.H. (2009) 'Article 16 Rights Conferred', in P. Stoll, J. Busche and K. Arend (eds.), *WTO—Trade-Related Aspects of Intellectual Property Rights*. Koninklijke Brill NV, Netherlands, pp. 316–30.
- Trade Marks Act 1865* (New South Wales).
- Trademark Law 1982* (China).
- Trade Marks Act 1994* (United Kingdom).
- Trademark Law 1997* (Indonesia).
- Trade Marks Act 1998* (Singapore).
- Trade Marks Act 1999* (India).
- Tobacco Plain Packaging Act 2011* (Cth).
- Tobacco Products (Labelling and Packing) Regulation 2012* (published in the Gazette Extraordinary No.1770/15 dated 8 August 2012) (Sri Lanka).
- US—Section 211 Omnibus Appropriations Act of 1998 (complaint by the European Communities) WT/DS176/AB/R.
- Voon, T. and Mitchell, A. (2012) 'Implications of WTO law for plain packaging of tobacco products', in A. Mitchell, T. Voon and J. Liberman (eds.), *Public Health and Plain Packaging of Cigarettes: Legal Issues*. Edward Elgar, Cheltenham, pp. 109–36.
- Written submission of JT International SA (filed on 28 March 2012) [online]. Available at <http://www.hcourt.gov.au/assets/cases/s409-2011/JT_Plf.pdf> [Accessed February 20, 2013].
- Written submission of British American Tobacco Australia Ltd (filed on 26 March 2012) [online]. Available at <http://www.hcourt.gov.au/assets/cases/s389-2012/BAT_Plf.pdf> [Accessed February 20, 2013].