

LALIVE

To: Philip Morris International Management SA

From: LALIVE

Date: 23 July 2009

Re: Plain Packaging and TRIPS

Why Plain Packaging is in Violation of WTO Members' International Obligations under TRIPS and the Paris Convention

Introduction

1. International protections of intellectual property rights represent a major barrier to measures seeking to impose the plain packaging of tobacco products. Indeed, Member States of the World Trade Organization ("WTO") that take such measures would be in breach of their international obligations and would therefore expose themselves to dispute settlement proceedings initiated by other members within the framework of the WTO.
2. Plain packaging refers to regulations requiring tobacco companies to sell cigarettes in generic packages. Except for the brand name of the tobacco product, which would be written in a standard font, colour and size, all other trademarks, logos, colour schemes and graphics would be prohibited and the package itself would be in a neutral colour. Only the product content information and health warnings required by law would be displayed.¹ The stated objective of plain packaging is to strip cigarettes of their perceived attractive image in order to reduce the incidence of smoking.
3. Plain packaging measures would however constitute a severe infringement on the right of tobacco trademark owners to use their legally registered trademarks in connection with their products. Indeed, such measures would result in a total prohibition on the use of all figurative (or "design") and composite trademarks. Even the use of the brand word mark would be

partially prohibited, as the distinctive typeface, colour and size of the letters making it up would have to be abandoned in favour of a standardized format. This very important point was also recognized by the International Trademark Association, one of the world's leading intellectual property associations.

Trademarks are not only words, names, and logos, but can also be colors or the very shape or design of the package itself (trade dress or "get-up"). Any graphical component that adds to the distinctiveness of a product can be registered as a trademark, illustrating the role that different types of trademarks play in the consumer experience. While plain packaging legislation would arguably still allow the use of word marks on packages, it would nevertheless prevent right holders from using any of their many other registered trademarks as well as other design elements, which in turn could cause consumer confusion. This is all the more the case as the word mark can only be used in a standardized typeface, size and color.²

4. These effects of plain packaging are not only in clear breach of most domestic trademark laws but also of WTO members' international obligation to protect valid intellectual property rights. These obligations have proven to be major barriers for plain packaging initiatives in a number of WTO Member States. They were highlighted in the course of proceedings before Canada's Standing Committee on Health, during which it was noted that "Canada would be running an enormous risk in attempting to implement plain packaging."³
5. In fact, no country has yet introduced a mandatory requirement for the plain packaging of cigarettes. Although this is due to a number of concerns, the fact that such a requirement would breach a WTO Member State's international obligations has been a major consideration.

¹ United Kingdom Department of Health "Consultation on the future of Tobacco Control" (31 May 2008), at pp. 40-41.

² International Trademark Association ("INTA"), Legislation and Regulation Subcommittee for Europe & Central Asia, "Response to the UK Department of Health Consultation on the future of Tobacco Control", 8 September 2008, p. 2. INTA also submitted that plain packaging "would unduly and punitively restrict and vitiate the pre-existing rights of trademark owners in the tobacco industry" and that it "would breach the UK's international treaty obligations under the Paris Convention and also the TRIPs Agreement." (p. 3)

³ "Towards Zero Consumption Generic Packaging of Tobacco Products", Report of the Standing Committee on Health, Canadian House of Representatives (June 1994), p. 54. The Canadian Government's project was later abandoned because of the difficulties it encountered.

1. Plain packaging interferes with the core function of trademarks

6. A trademark is defined as any sign, such as “words including personal names, letters, numerals, figurative elements and combinations of colours as well as any combination of such signs” which is “capable of distinguishing the goods or services of one undertaking from those of other undertakings”.⁴ The essence of a trademark is therefore the right of the trademark owner to apply it to a product or its packaging in order to identify the product’s source or origin.⁵ Plain packaging strikes at this core function of trademarks.
7. Indeed, plain packaging creates the risk of confusion as to the origin and quality of tobacco products because it would prevent tobacco trademarks to be used to distinguish one product from another. Plain packaging would impose a standardized packaging of tobacco products which would in fact make all products look identical. It also deprives tobacco trademarks of their commercial value entirely. The value of a trademark is tied to the goodwill it generates, including through its recognition by consumers. The use of a trademark is therefore key to its value, but plain packaging unduly prevents such use.⁶

2. WTO Members have an international obligation to protect trademark rights under TRIPS and the Paris Convention

2.1 Overview of TRIPS and the Paris Convention

8. WTO Member States are subject to international obligations in respect of trademark rights under two major treaties: the Paris Convention for the Protection of Industrial Property (the “Paris Convention”), originally concluded in 1883 and periodically revised thereafter, and the Agreement on Trade-Related Aspects of Intellectual Property Rights (“TRIPS” or the “TRIPS Agreement”).

⁴ Art. 15(1) TRIPS.

⁵ See for ex. Decision of the European Court of Justice in *Bristol-Myers Squibb*, 429 and 436/93, [1996] ECR I 3457.

⁶ J.K. Katz & R.G. Dearden, *Plain Packaging & International Trade Treaties*, in *Plain Packaging and the Marketing of Cigarettes* (J.C. Luik ed., 1998), p. 113.

-
9. The Paris Convention is the oldest intellectual property law treaty still in force. It provides a great deal of leeway for States in setting up their legal protections of trademarks, however it sets out a number of minimum standards of protection that States must comply with. These minimum standards notably relate to the registration and invalidation of trademarks.
 10. The TRIPS Agreement was concluded to further address the tensions in international trade resulting from widely varying standards of protection and enforcement of intellectual property rights which create non-tariff barriers to trade. It is an integral part of the WTO agreements signed in Marrakech in 1994. The WTO agreements include *inter alia* the General Agreement on Tariffs and Trade (“GATT”) and the General Agreement on Trade in Services (“GATS”).
 11. In respect of trademarks, the TRIPS Agreement explicitly incorporates the minimum standards of protection of the Paris Convention,⁷ but also provides further protections. One significant development of the TRIPS Agreement was to provide for a multilateral dispute settlement mechanism to address non-compliance, which the Paris Convention does not have. The preamble of TRIPS makes clear that the agreement seeks a *balance* between the private rights of the intellectual property owners and the public interest.⁸ However, because of the public’s interest in a well-functioning intellectual property regime, “the public interest is a restriction on intellectual property only when such protection becomes excessive and no longer fulfils its objectives.”⁹

2.2 The obligations contained in TRIPS and the Paris Convention are enforceable rules of international law

12. The standards set out in TRIPS and the Paris Convention are the bare minimum protections that States must grant to intellectual property rights. Indeed, Article 1 of TRIPS makes clear that States are free to implement more extensive protection in their domestic law, however they have an international obligation to comply with the agreement’s provisions, including the relevant provisions of the Paris Convention.

⁷ Art. 2(1) TRIPS.

⁸ D. Gervais, *The TRIPS Agreement. Drafting History and Analysis* (Sweet & Maxwell eds. 2008), at para.2.11.

⁹ D. Gervais, *The TRIPS Agreement. Drafting History and Analysis* (Sweet & Maxwell eds., 2008), at para.2.11.

-
13. Any State which has signed and ratified the WTO agreements is under a *legal* obligation to comply with its contractual commitments and to effectively implement TRIPS, and by extension the Paris Convention. In short, complying with TRIPS is not a matter of policy choice for individual WTO Member States but rather a matter of complying with an existing legal duty. The Governments of WTO Member States often also have a separate, domestic obligation under their own constitutions to implement TRIPS.
 14. If they fail to comply with TRIPS, national governments may be held accountable both at the domestic level and at the international level. Domestically, judicial action may be initiated by affected companies before competent local courts and tribunals.¹⁰ Internationally, a breach automatically engages a State's international responsibility towards other Member States of the WTO.
 15. International responsibility for a breach of the TRIPS Agreement is likely to have very concrete effects on the economy of a non-compliant Member State. Indeed, through the WTO dispute settlement mechanism, the TRIPS system establishes an effective enforcement mechanism to address non-compliance.

3. Plain packaging would breach a Member State's obligations under TRIPS and the Paris Convention

16. Plain packaging would be inconsistent with a Member State's obligations under TRIPS and the Paris Convention. Indeed, such a requirement would breach a number of key provisions as a result of its undue impact on the trademark owner's intellectual property rights. In particular, it would constitute a breach of Article 15(4) of TRIPS (which reproduces Article 7 of the Paris Convention), Article 6 *quinquies* (B) of the Paris Convention, as well as Articles 17 and 20 of TRIPS. In addition, contrary to what is argued by proponents of plain packaging, Article 8(1) of TRIPS does not allow States to circumvent the minimum protections provided by TRIPS.

¹⁰ Scholarly writing takes the view that the TRIPS Agreement (or a provision in TRIPS that stipulates a clear and actionable right) is generally in and of itself actionable. See A. Staehelin, *Das TRIPS-Abkommen* (Stämpfli eds., 1999), pp. 236-239; P. Katzenberger, *TRIPS und das Urheberrecht*, GRUR Int 1995, p. 459. Whether it is then concretely actionable before a local court or tribunal, depends on the legislation of the relevant Member State.

3.1 Plain Packaging is inconsistent with a State's obligations under Articles 6 *quinquies* (B) and 7 of the Paris Convention and Article 15(4) of TRIPS

17. Article 15(4) of TRIPS reproduces Article 7 of the Paris Convention, which 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 the registration of the mark.” In the case of a plain packaging measure, the nature of the good would clearly form an obstacle to the use, a notion inextricably linked to registration, of any tobacco trademark except the brand name itself. Indeed, plain packaging specifically targets tobacco products. A plain packaging measure would as a result create a two-tier trademark system: one which severely restricts the use of trademarks and is only applicable to tobacco products, and another which affords the minimum standards of protection to all other products. Such discriminatory treatment of trademarks is expressly prohibited by the TRIPS Agreement, which provides that all trademark rights are entitled to protection regardless of the product to which they apply.
18. The Paris Convention also provides that trademarks registered in any States which are Contracting Parties to the Convention cannot be denied registration or invalidated except for one or more of three very narrowly defined reasons. Article 6 *quinquies* (B) provides as follows:
- Trademarks covered by this Article may be neither denied registration nor invalidated except in the following cases:
1. when they are of such a nature as to infringe rights acquired by third parties in the country where protection is claimed;
 2. 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;
 3. when they are contrary to morality or public order and, in particular, of such a nature as to deceive the public. It is understood that a mark may not be considered contrary to public order for the sole reason that it does not conform to a provision of the legislation on marks, except if such provision itself relates to public order.

-
19. None of these three reasons are applicable in the context of tobacco trademarks. Indeed, the registration of tobacco trademarks does not generally create conflicts with the rights of senior users and registrants, nor are tobacco trademarks generally devoid of any distinctive character (in fact, some tobacco trademarks, like the Marlboro trademark, rank among the world's most distinct and well-known marks) or contrary to morality or public order.¹¹
 20. It has been suggested that Articles 6 *quinquies* (B) and 7 of the Paris Convention (and by extension Article 15(4) of TRIPS) only apply to the registration but not the use of trademarks.¹² This view is simply mistaken since Article 6 *quinquies* (B) refers not only to “registration” but also to “invalidation” which both imply use. The view is also overly formalistic and ignores the purpose of both provisions by artificially separating two concepts that are inherently linked: registration and use.
 21. Indeed, a former WIPO Director-General has stated that the purpose of registration pursuant to Article 6 *quinquies* of the Paris Convention is to serve the legitimate interests of the right holder to use a mark for the same goods and in the same way in different countries.¹³ Moreover, the three reasons for refusing registration of a trademark listed in Article 6 *quinquies* (B) are not motivated by the fact that the registration itself would be problematic, but rather that the use of the trademark would be. For example, registration of a trademark which infringes on the rights of a third party would be denied not because the registration itself would be inherently wrong, but because of the harm and consumer confusion that its use would cause.
 22. Furthermore, Member States cannot be said to comply with their obligations under Article 7 of the Paris Convention if they allow for the registration but not the use of a trademark because of the nature of the goods to which it is to be applied, in this case tobacco products. Authors have noted that “[t]he history of this provision suggests that most countries recognise their obligations under Article 7 not only to register all marks regardless of the nature of the product, but also to refrain from ‘suppressing or limiting’ the exclusive right of the trademark

¹¹ C. Correa, Trade Related Aspects of Intellectual Property Rights. A Commentary to the TRIPS Agreement (2007), pp. 179 and 182; Gervais, The TRIPS Agreement. Drafting History and Analysis (Sweet & Maxwell eds., 2008), at para.2.152, p. 268; G.H.C. Bodenhausen, Pariser Verbandsübereinkunft zum Schutz des Gewerblichen Eigentums (Cologne 1971), p. 98 (Bodenhausen was Director General of WIPO which administers the Paris Convention).

¹² Physicians for Smoke-Free Canada, “The Plot Against Plain Packaging”, pp. 14-16.

owner to use a mark as long as the sale of the product is legal.”¹⁴ Registration without use is a hollow formal right which is economically meaningless. Indeed, the only benefits that registration without use could afford a trademark holder would be the negative right to defend against trademark infringements by third parties. Such defensive use is however not even sufficient to maintain the registration of the trademark in jurisdictions which impose mandatory use requirements.

23. The typical situation for which Article 7 was designed is the registration of a trademark for a new pharmaceutical which has not yet been approved by the relevant authorities. In such a situation however, it is not the use of the trademark which is prohibited, but the sale of the product to which it is attached. A plain packaging measure would conversely target the actual *use* of the trademark rather than the legal product to which it is applied. In this sense, the distinction between registration and use is devoid of any meaning.
24. Moreover, certain jurisdictions require that a trademark be in use for it to be registered. In these jurisdictions, a restriction on the use of trademarks by requiring plain packaging would impair the registration of the trademarks. In other jurisdictions, which impose bans on tobacco wordmarks, the implementation of the plain packaging measure would constitute a total prohibition of a trademark. In both cases, the plain packaging measure would make it impossible to register tobacco trademarks and prevent the introduction of new brands and freeze the market in favour of incumbents, which is effectively a restriction on international trade.
25. In effect, what plain packaging seeks to achieve is an indirect *invalidation* of tobacco trademarks by way of preventing their use while leaving their registration intact. This is incompatible with a WTO Member State’s obligations under Article 6 *quinquies* of the Paris Convention and indeed would amount to abuse of their regulatory authority.

¹³ G.H.C. Bodenhausen, *Pariser Verbandsübereinkunft zum Schutz des Gewerblichen Eigentums* (Cologne 1971), p. 13.

¹⁴ J.L. Katz & R.G. Dearden, *Plain Packaging & International Trade Treaties*, in *Plain Packaging and the Marketing of Cigarettes* (J.C. Luik ed., 1998), p. 125; see also A. Kur, *Zur Benutzung bekannter Zigarettensmarken für andere Produkte*, *GRUR Int.* 1990, p. 445.

3.2 Plain Packaging is inconsistent with Article 17 of TRIPS

26. Article 17 of TRIPS sets out that Member States may only impose *limited* exceptions on trademark rights, and even then they must take into account the legitimate interests of the trademark's owners. Article 17 reads as follows:

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.

27. Plain packaging, unlike exceptions such as fair use, would not fall under the scope of the exceptions permitted by Article 17 because it in no way takes into account the legitimate interests of the owners of tobacco trademarks or of tobacco consumers and is an overly broad encroachment on the owners' rights.

28. First, plain packaging cannot be said to constitute a "limited" exception. Indeed, plain packaging annihilates the rights conferred by trademarks.

29. Second, plain packaging fails to take account of the legitimate interests of trademark holders, which have been defined by a WTO dispute settlement Panel as follows:

Every trademark owner has a legitimate interest in preserving the distinctiveness, or capacity to distinguish, of its trademark so that it can perform that function. This includes its interest in using its own trademark in connection with the relevant goods and services of its own and authorized undertakings. Taking account of that interest will also take account of the trademark owner's interest in the economic value of its mark arising from the reputation that it enjoys and the quality that it denotes.¹⁵

30. The Panel clearly set out that the trademark owner's legitimate interests, including "its interest in *using* its own trademark in connection with the relevant goods and services of its own and authorized undertakings." Plain packaging, unlike more benign exceptions such as fair use, entirely prohibits the use of tobacco trademarks, and therefore entirely deprives the owner of the trademark's basic function, which is its "capacity to distinguish". In addition, a

¹⁵ EC – Protection of Trademarks and Geographical Indications for Agricultural Products and Foodstuffs, Panel Decision, USA v. EC, WTO document WT/DS174R (15 March 2005), at para.7.664.

plain packaging measure does not in any way attempt to accommodate the owners' interest in the economic value of the trademark as it effectively wipes out that value. The value of the trademark, according to the WTO Panel, arises from the reputation it enjoys and the quality it denotes. If the trademark owner is precluded from using the trademark, such goodwill becomes meaningless. Trademark owners' legitimate interests in the use of their trademarks would therefore not be taken into account at all by a plain packaging requirement. Rather, they would be entirely disregarded and denied. Indeed, as noted above, plain packaging effectively amounts to an indirect invalidation of the trademarks subject to such regulation.

31. More generally, a plain packaging measure completely ignores the balance that TRIPS, according to its preamble, seeks to establish between the private rights of intellectual property owners and the public interest.¹⁶ A TRIPS provision cannot be interpreted in a way that shifts that balance. As a result of its complete disregard for the intellectual property rights of tobacco trademark owners, a plain packaging measure would be in clear breach of Article 17 of TRIPS.

3.3 Plain packaging would encumber the use of tobacco trademarks in breach of Article 20 of TRIPS

32. Article 20 prohibits any interference with the use of the trademark unless such interference can be characterised as mere justifiable encumbrance:

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. [...]

33. Article 20 does not define the term "encumber". However, according to its ordinary meaning, the term "encumber" refers only to requirements which would have the effect of hampering or limiting the use of a trademark. A requirement, like plain packaging, that effectively constitutes a total ban on the use of a trademark is not a mere "encumbrance". As such, it amounts to an impermissible interference with the trademark owners' rights under TRIPS.

¹⁶ D. Gervais, *The TRIPS Agreement. Drafting History and Analysis* (Sweet & Maxwell eds. 2008), at para.2.11.

-
34. Even assuming that a total prohibition of the use of a trademark would constitute an “encumbrance” within the meaning of Article 20, a plain packaging measure would clearly qualify as one of the “special requirements” explicitly prohibited in the provision. Indeed, plain packaging would be detrimental to the capability of tobacco trademarks to distinguish between tobacco products from different producers. In fact, such trademarks, with the exception of the brand name, could not be used at all for their main function: to distinguish between producers and to ensure that consumers can identify the source and quality of the goods they are purchasing. Furthermore, a plain packaging measure would require the brand name to be used in a special form, as it would impose a specific typeface, colour and size of the letters.
35. Accordingly, a special requirement like plain packaging would constitute an unjustifiable “encumbrance” within the meaning of Article 20. The meaning of “unjustifiable” can be interpreted in a number of ways, and no guidance can be found in the WTO jurisprudence. The interpretation most likely to be correct is that the three examples of special requirements listed in Article 20 “are examples of requirements that unjustifiably encumber the use of trademarks in the course of trade”,¹⁷ or are at the very least *prima facie* unjustifiable.¹⁸ Therefore, if a requirement, such as a plain packaging measure, corresponds to one of those three examples, it is considered to be unjustifiable.
36. Even if the contrary position is adopted, to the effect that the three examples mentioned in Article 20 must be shown to be unjustifiable on a case by case basis, plain packaging could not be considered to be justifiable under the provision. It has been rightly suggested that in order to be justifiable, an encumbrance must be proportional to the loss it causes in the distinctiveness of a trademark.¹⁹

¹⁷ N. Pires de Carvalho, *The TRIPS Regime of Trademarks and Designs* (Kluwer eds., 2006), p. 331; it should be noted that although he does not espouse this interpretation, Pires de Carvalho writes that it is the interpretation which “would be naturally subscribed by developed country WTO members.” (p. 331)

¹⁸ D. Gervais, *The TRIPS Agreement. Drafting History and Analysis* (Sweet & Maxwell eds., 2008), at para. 2.189, p. 181.

¹⁹ N. Pires de Carvalho, *The TRIPS Regime of Trademarks and Designs* (Kluwer eds., 2006), p. 333: “[L]oss of distinctiveness is, therefore, the common denominator of the three examples and which causes the need for scrutinizing the justifiability of special requirements. This means that the justification found by a government for imposing encumbrances on the use of a certain mark will be assessed vis-à-vis the loss of distinctiveness. [...] Preservation of distinctiveness, under Article 20, does not give rise to a test, as under Article 17, but just to a sense of proportionality as to the justifiability of the encumbrance.” (pp. 332-33)

-
37. Plain packaging is out of all proportion to the loss of distinctiveness it causes. Indeed, it prohibits the use of most tobacco trademarks altogether, and therefore causes a complete loss in the trademark's distinctiveness. A contrary finding would be inconsistent with the balance TRIPS establishes between the private rights of intellectual property owners and the public interest.²⁰ Interpreting Article 20 in a manner that would allow an encumbrance to cause an effective loss of a trademark's distinctiveness would fundamentally shift the balance to the detriment of the private rights of intellectual property owners. Therefore, such an encumbrance cannot be considered to be justified.
38. Plain packaging would also be disproportionate in other respects. First, it would not serve the purported goal of reducing smoking, as no studies show that plain packaging would have a noticeable effect on the incidence of smoking.²¹ Second, other less intrusive measures which do not infringe intellectual property rights are available to achieve the same purpose. Indeed, governments have for example successfully reduced the prevalence of tobacco use through educational campaigns and the implementation of health warning labels on cigarette packages.
39. In any event, it is clear that plain packaging cannot be justified by a Member State's mere assertion that the public policy goal it pursues is just, as argued by some academics.²² As one author specifies, "a reference to only those reasons that the Members establish independently of one another in their national legislations would strip Article 20 of its effectiveness."²³

²⁰ D. Gervais, *The TRIPS Agreement. Drafting History and Analysis* (Sweet & Maxwell eds., 2008), at para.2.11.

²¹ Philip Morris Limited's Response to the United Kingdom Department of Health's Consultation on the Future of Tobacco Control, 8 September 2008, pp. 27-28.

²² N. Pires de Carvalho, *The TRIPS Regime of Trademarks and Designs* (Kluwer eds., 2006), p. 329-30. There is little detailed guidance from the WTO jurisprudence on the application of "justifiable" in Article 20. In *Indonesia-Autos*, WTO documents WT/DS54/R, WT/DS55/R, WT/DS59/R, WT/DS64/R, online: <http://www.sice.oas.org/dispute/wto/54r00/54r00.asp> the panel was asked to determine whether a measure that imposed to foreign auto makers wishing to establish itself in Indonesia the adoption of a national trademark for automobiles as a condition to eligibility for receiving certain tax incentives was *inter alia* a "special requirement" in violation of Article 20 of TRIPS. However, the Panel did not elaborate on the element of unjustifiable in Article 20 because it considered the trademark adoption provision to be "voluntary" rather than "mandatory", noting that the foreign company "entered into such an agreement with knowledge of the consequences" (para. 14.277). See J.H. Schmidt-Pfitzner, in *WTO – Trade-Related Aspects of Intellectual Property Rights* (Martinus Nijhoff Publishers eds., 2009), at Art. 20 para. 8.

²³ J.H. Schmidt-Pfitzner, in *WTO – Trade-Related Aspects of Intellectual Property Rights* (Martinus Nijhoff Publishers eds., 2009), at Art. 20 para. 6.

3.4 Article 8(1) of TRIPS does not exempt public health measures from a Member State's obligations under TRIPS

40. Article 8(1) of TRIPS expressly allows Member States to adopt measures that are necessary to protect, among other things, public health:

Members may, in formulating or amending their laws and regulations, adopt measures necessary to protect public health and nutrition, and to promote the public interest in sectors of vital importance to their socio-economic and technological development, provided that such measures are consistent with the provisions of this Agreement.

41. As its wording shows, Article 8(1) does not constitute an exception to the protections of intellectual property rights set out in TRIPS. Indeed, Article 8(1) of TRIPS is limited in two different respects: (1) the relevant public health measure must be *necessary* to protect public health; and (2) such measure must be *consistent with* TRIPS.
42. A WTO Member State seeking to adopt a public health measure pursuant to Article 8(1) of TRIPS must prove that such a measure is *necessary* to protect public health. Necessity is a two pronged concept.²⁴ The first prong is that there must be a causal link to the protection of public health. Given the absence of any studies which conclusively demonstrate that plain packaging would lead to a decrease in the prevalence of smoking, this may be difficult for a State to prove. The second prong is that the measure taken to protect public health has to be the least restrictive on intellectual property rights. The protection of public health in respect of the harm caused by tobacco products has already been effectively addressed by States through other means which are less restrictive on intellectual property rights, or which have no impact on intellectual property rights at all. Such measures include educational campaigns and health warnings on cigarette packages. Therefore, plain packaging – an overbroad measure with sweeping consequences on trademark rights – is clearly not the least restrictive measure available to protect public health.
43. The scope of Article 8(1) of TRIPS is further limited by the requirement that public health measures affecting intellectual property rights be *consistent* with other provisions of the Agreement. Article 8 does not therefore allow for a Member State to depart from the protections for trademarks set out in the TRIPS Agreement, notably those in Articles 15(4),

17, and 20, even for the purpose of promoting public health. Indeed, as one author notes, “it would be difficult to justify a new exception not foreseen under the Agreement [...] unless it is an exception to a right not protected under other provisions of the TRIPS Agreement [...].”²⁵

44. Authors familiar with the negotiation history of TRIPS have concluded that Article 8 is “essentially a policy statement that explains the rationale for measures taken under arts. 30, 31 and 40 [and may] serve an interpretative function.”²⁶ Articles 30 and 31 of TRIPS deal with compulsory licensing of patents, and Article 40 deals with anti-competitive practices in the context of licensing of intellectual property rights. Whatever the proper interpretation of Article 8 however, it clearly requires that any such measure be consistent with the other provisions of TRIPS.
45. In sum, Article 8(1) of TRIPS does not operate as an exception to the minimum standards of protection for trademark rights provided for in other TRIPS provisions.

4. A breach of TRIPS and the Paris Convention could give rise to legal proceedings under the WTO’s dispute settlement mechanism

46. WTO Member States seeking to impose the plain packaging requirement on tobacco products are likely to face international legal proceedings. Indeed, under the TRIPS Agreement properly interpreted, WTO Member States are under a legal obligation *not* to impose plain packaging on cigarette producers. Such measures would amount to abuse of Member States’ regulatory authority under the Agreement. If they nevertheless do so, other Member States can resort to the WTO dispute settlement mechanism to seek compliance with TRIPS, and by extension with the Paris Convention.
47. Such proceedings would be conducted before the Dispute Settlement Body (“DSB”) of the WTO at the initiative of Member States whose industries are affected by a violation of

²⁴ N. Pires de Carvalho, *The TRIPS Regime of Trademarks and Designs* (Kluwer eds., 2006), at para.8.5, p. 189.

²⁵ D. Gervais, *The TRIPS Agreement. Drafting History and Analysis* (Sweet & Maxwell eds., 2008), at para.2.85, p. 209.

²⁶ D. Gervais, *The TRIPS Agreement. Drafting History and Analysis* (Sweet & Maxwell eds., 2008), at para.2.85, p. 209.

TRIPS, such as States in which tobacco producers are based. Although tobacco companies themselves would not be in a position to initiate proceedings before the DSB, their home jurisdiction certainly will be in such a position.

48. Accordingly, the DSB is not a toothless mechanism, and its decisions may have significant implications for a Member State's access to trade and therefore for its economy as a whole. Indeed, WTO proceedings may result in the suspension of trade and tariff advantages enjoyed by a country in order to provide compensation for the harm caused by its violation of TRIPS. This may in turn cause considerable harm to the broader economy of the Member State. Examples of WTO cases brought under TRIPS that have reached the decision by a Panel or the WTO's Appellate Body include:

- the 2003 complaints filed by the United States and Australia against the European Communities²⁷;
- the 1999 complaint filed by the European Community against the United States²⁸;
and
- the 1999 complaint filed by the European Communities against Canada.²⁹

49. The fact that plain packaging affects tobacco products would not dissuade affected WTO Member States from initiating an action before the DSB. Indeed, a number of cases concerning tobacco products have been initiated before the DSB (or its predecessor under the GATT system). Recent examples include:

- the 2008 complaint filed by the Philippines against Thailand³⁰;
- the 2003 complaints filed by Honduras against the European Communities, the United States and several Latin American countries³¹; and

²⁷ European Communities – Protection of Trademarks and Geographical Indications for Agricultural Products and Foodstuffs, WTO document WT/DS174/R, WTO/DS290/R.

²⁸ United States – Section 211 Omnibus Appropriations Act of 1998, WTO documents WT/DS176/R (Panel Report) and WT/DS176/AB/R (Appellate Body Decision).

²⁹ Canada – Patent Protection of Pharmaceutical Products, WTO document WT/DS114/R.

³⁰ Thailand – Customs and Fiscal Measures on Cigarettes from the Philippines, Request for Consultation filed on 7 February 2008, WTO document WT/DS371/1.

- the 2001 complaint filed by Chile against Peru.³²

Older tobacco-related cases include the 1990 complaint filed by the United States against Thailand over certain restrictions on the import of, and taxes on, cigarettes.³³

50. TRIPS, and by extension the Paris Convention, benefit from the powerful enforcement mechanism of the WTO. A breach of international intellectual property obligations can therefore lead to significant consequences affecting a Member State's international trade and therefore its economy as a whole.

Conclusion

51. Plain packaging would constitute a gross infringement of intellectual property rights protected under international treaties. In their current form, TRIPS and the Paris Convention do not allow for the introduction of a plain packaging requirement in WTO Member States. TRIPS and the Paris Convention reflect long-standing principles of intellectual property law and respond to the need expressed by the international community of promoting "effective and adequate protection of intellectual property rights" in the context of international trade.
52. A State enacting a plain packaging requirement would breach the minimum protections set out in TRIPS, and would therefore expose itself to legal proceedings under the WTO dispute settlement mechanism. Such proceedings, in turn, may lead to a serious disruption of the Member State's participation in international trade.

³¹ Dominican Republic – Measures Affecting the Importation and Internal Sale of Cigarettes, Report of the Appellate Body, WTO document WT/DS302/AB/R.

³² Peru – Taxes on Cigarettes, Request for Consultations filed on 1 March 2001, WTO document WT/DS227/1.

³³ Thailand - Restrictions on Importation of and Internal Taxes on Cigarettes, Report of the Panel adopted on 7 November 1990 (DS10/R - 37S/200). See also Japanese Restraints on Imports of Manufactured Tobacco from the United States, Report of the Panel adopted on 11 June 1981 (L/5140 - 28S/100).