**Validity of Plain Packaging under TRIPs Agreement: Analysis of WTO Panel Findings**

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***Abstract***

*The Plain Packaging of cigarettes and tobacco products to discourage the consumption of tobacco, has raised a number of trademark issues in international IP regime. The ‘plain packaging’ measure prohibit the use of trademarks on the packaging of tobacco products. This Article discusses the fundamental question whether plain packaging requirement deprives the trademark proprietors from exercising the essential function of trademark rights. The WTO Dispute Resolution Panel gave its landmark decision on 28 June 2018, pronouncing that the law on plain packaging in Australia comply with the TRIPS Agreement. The decision is significant as it reaffirmed that there is no ‘positive’ right to use a trademark, and that the plain packaging measures are in concurrence with TRIPS obligations. In this Article, the author attempts to examine the trademark issues that are discussed by WTO Panel in its Report on Australia’s Tobacco Plain Packaging. It also discusses the main arguments made by parties and key findings of the Panel on trademark issues. Lastly, the Article presents that the WTO Report can encourage the countries to adopt such measures for other products also.*

1. **Introduction**

 Plain Packaging refers to those regulations or guidelines that require tobacco products and cigarettes to be sold in generic or standardised packaging, without any trademarks, logos or brand names. In other words, the term plain packaging refers to generic packaging of tobacco products that simply has the company name on the packet in a standardised size, font and colour. This packaging aims to discourage the promotional and advertising aspects of the cigarette packs. Instead, it bears the geographical health warnings, tax stamps and other mandatory information. Hence, there is no trademark on the packaging of cigarette except the name of company that has manufactured this product. The trademarks, if allowed to be used on cigarette packaging enhance the appeal and attractiveness attached to the cigarette box which acts to pose risks to public health. On the other hand, the plain packaging initiative helps in restricting the smoking behaviours and the overall consumption of tobacco. The dull and non-appealing packaging of cigarettes with only brand name helps in inhibiting its consumption by the consumers.In the case *J. T.*International *S.A v. Commonwealth of Australia[[2]](#footnote-3)*, the validity of Tobacco Plain Packaging Act 2011 was contested by some tobacco companies. While upholding the validity of the Act, the High Court of Australia noted: “The objects of the Packaging Act are to improve public health…Improving public health encompasses discouraging people fromusing tobacco products, encouraging people to give up smoking….”

While the packaging policy seems to be of immense benefit for public health, it stands in conflict with the interests of trademark proprietors. The right to possess property, be it physical or intellectual, is a basic human right. There has been much litigation by various tobacco companies against the plain packaging scheme as it deprives the tobacco manufacturers from the recognition of their trademarks. Trademark, primarily serves the purpose of identification of source of a product to the consumers, and this essential purpose gets jettisoned by the plain packaging policies. The tobacco companies who spend massive amount in promoting their trademarks at national and international levels, get affected by ban on use of trademarks. Many of such companies’ trademarks are those who emerge as well-known trademarks. The proprietors have to face the persistent threat on their monopoly rights, not only from the legislation and courts, but also from the civil society groups. From the consumers viewpoint as well, it becomes difficult to ask for a product manufactured by a particular manufacturer. Hence, it diminishes the competition and discourages investment by traders.

1. **The Convention for Tobacco Control**

The expansion of tobacco at international fora never remained ungoverned. There have been international efforts to make flexible arrangements to regulate tobacco for public health reasons. One of the significant steps is the establishment of WHO Framework Convention on Tobacco Control (FCTC *hereinafter*).

On May 21, 2003, the WHO FCTC was adopted by the World Health Assembly, and it came into force on February 27, 2005.[[3]](#footnote-4)WHO FCTC emerged as a response to globalization of the tobacco industry that represented a menace to the public health worldwide. The FCTC provided a strategy to the parties to combat the tobacco epidemicand adopt some measures for the reduction in demand of tobacco.[[4]](#footnote-5) To note, the Convention focuses on the strategy to only reduce the demand and supply of tobacco, not to prohibit the same as in other drug control treaties. The Convention has been ratified by 182 countries till date. India ratified the Convention on 5th February 2004. The use of trademarks has not been dealt under the Convention. But, Article 11 provides the measures that member states need to adopt in order to prevent deceptive and misleading promotion of tobacco.

1. **Plain Packaging Restricting Trademark Rights**

Trademark, like other Intellectual Properties, is an intangible property and confers no absolute right on the proprietor. Trademark acts as communication tool that performs primary functions of:

* Product differentiation function
* Identification of origin of the product
* Guarantees the quality of product

From trademarks perspective, the plain packaging affects the basic functions. With plain packaging, it becomes difficult for consumers to identify the brand of product which they want to purchase. Restricting the use of brand logos, plain packaging impedes the basic purpose of trademark, that is, the indication of origin. The standardisation of packaging has both restrictive element as well as positive element. The restrictive element deprives the trademark proprietor from exercising the core function of trademark, while the positive element mandates the manufacturers to use the graphic health warning more prominently.[[5]](#footnote-6)One of the most contentious issues in plain packaging scheme is its compatibility with the TRIPs Agreement. The TRIPs Agreement has laid down the minimum standards of protection which the member states are required to implement at national levels. The provisions of trademarks protection as contained in the TRIPs Agreement are largely derived from the Paris Convention. Article 15-21 of the Agreement deal with substantive standards of trademark protection. These Articles include protectable subjectmatter of the trademark (Article 15), ‘content and scope of the exclusive rights conferred on trademark proprietors’ (Article 16), the ‘exceptions to the trademark protection’ (Article 17), the ‘term of trademark protection’ (Article 18) and other Articles regarding requirement of the use of trademarks and licensing and assignment.[[6]](#footnote-7)

*Article 20*

As already mentioned, the interpretation of Article 20 of the TRIPs Agreement is crucial in the present debate. It is imperative to consider Art.31 and 32 of the Vienna Convention on the Law of Treaties for interpreting the provisions of TRIPs. The controversies regarding plain packaging have centred around the construction of Article 15(4), 17 and 20 of the Agreement. The argument that plain packaging is in contravention of TRIPs, triggered disputes before WTO dispute settlement adjudication bodies.[[7]](#footnote-8)The first sentence of Article 20 lays emphasis on ‘the prevention of unjustifiable encumbrances’ on ‘the use of trademark in the course of trade’.[[8]](#footnote-9) Article 20 prevents small scale encumbrances on trademark’s use, but does not impose a complete ban.The provision is silent as to what constitutes a justifiable encumbrance, but it lists three kinds of requirement which can be regarded as unjustifiable encumbrances on use of trademarks.[[9]](#footnote-10) The first pre-requisite refers to the linking-procedure, that is requiring the trademark to be used in combination with another trademark.[[10]](#footnote-11) The second requirement under Article 20 prohibits use of the trademark in a ‘special form’. The phrase ‘special form’ can be interpreted as a standard format or colour scheme for all the trademark proprietors. The third requirement mentions about those measures that can be detrimental to trademark’s ‘capability to distinguish’.[[11]](#footnote-12) In put in other words, the use of trademark in a manner that affects its ability ‘to distinguish the goods or services of one undertaking from those of other undertakings’. This requirement is aimed at enabling the consumers to identify the goods they want to purchase and to be assured about the quality associated with the trademark. To put in other words, any scheme requiring standardised packaging impairs the distinguishing function of trademark. This probably is a situation that Article 20 aims to encumber on a justifiability scale. The issue is ‘whether plain packaging is an encumbrance by special requirement’ and is covered under Article 20 of TRIPs. The issue needs the examination of the language of Art.20 in this context. Article 20 must not be interpreted in isolation as if it stands on its own. Rather it needs an interpretation in light of other provisions of TRIPs.

*Use versus Registration*

Art. 15.4 of the Agreement provides that “*the nature of the goods or services to which a trademark is to be applied shall in no case form an obstacle to registration of the trademark.”* Hence, the measures that prevent registration of any trademark on the ground that it is used on tobacco products may violate Article 15.4 of TRIPs.[[12]](#footnote-13) The other significant provision that may help us to interpret the functioning of trademarks, is Article 15.1 of TRIPs. This Article refers to the product distinguishing function of the trademark. The proprietors of trademark have a clear manifest interest in trademark’s capability to distinguish.[[13]](#footnote-14) Some commentators have also argued that the scheme of plain packaging is not in contravention of Article 15 as it prevents only registration of trademark, not the use of trademark.[[14]](#footnote-15) Consequently, in case of plain packaging, a trademark is prohibited from being used on tobacco products, but its registration is not prohibited in respect of tobacco products. Moreover, the TRIPS Agreement does not give any right to anyone to use the trademark but to simply prevent unauthorized use of a registered trademark.[[15]](#footnote-16) This interpretation further gives rise to a pragmatic question: why a manufacturer would apply for registration of a trademark which is prohibited from being used?

To answer this question, it is relevant to analyse Article 19.1 of the TRIPS, which provides “if use is required to maintain a registration, the registration may be cancelled only after an uninterrupted period of at least three years of non-use, *unless valid reasons based on the existence of obstacles to such use are shown by the trademark owner*.” The provision provides that registration can not be cancelled if the proprietor justifies non-use due to ‘valid reasons’.[[16]](#footnote-17) Valid reasons may include any technical problem in manufacturing the products to be labelled with the trademark. Hence, on the basis of the above provisions, it would be appropriate to conclude that there exists no explicit right to use trademark.

1. **The Tobacco Plain Packaging Act, 2011**

On 21st November 2011, parliament of Australia passed the Tobacco Plain Packaging Act , requiring plain and generic packaging on all tobacco products. The legislation was adopted as a tobacco control measure. The Act was enacted with an object to improve the health of publicby motivating folks to quit using tobacco products, to stop smoking, and to follow Australia’ obligations of the Convention on Tobacco Control.[[17]](#footnote-18) The Act intends to do this by ‘making tobacco products less appealing to consumers, to increase the efficiency of health warnings on the tobacco products retail packaging and to lessen the potential of tobacco products’ retail packaging to deceive customers about the adverse consequences of tobacco use, including smoking.[[18]](#footnote-19) The Act is applicable to all the tobacco products and requires the retail packaging to have ‘no decorative ridges, embossing, bulges, irregularities of shape or texture, or other embellishments, including coloured glues or adhesives, can be used on tobacco packaging.[[19]](#footnote-20) Section 20 of the Act clearly prohibits the appearance of any trademark anywhere on tobacco products’ retail packaging. The Act allows “the brand, business or company name for the tobacco products, and any variant name for the tobacco products” to be used on the packaging of tobacco products.[[20]](#footnote-21) The law has also mandated that the graphic health warnings have to be displayed, covering ‘75% of the front of tobacco packaging and 90% of the back of packaging’. It also provides prescriptions of the packaging such as specific dimensions, ‘matt finish in a drab dark brown colour’.[[21]](#footnote-22)

V. **Plain Packaging and WTO Dispute**

The big tobacco companies challenged the TPPA at both national and international levels.[[22]](#footnote-23) The reason behind challenges is not the incompatibility of TPPA with the IP laws, but with the international instruments like the TRIPs Agreement. During September 2012 to April 2014, five member states of WTO made requests to WTO to create dispute settlement panels for the adjudicating the validity of TPPA as per TRIPS provisions. The five nations are Indonesia, Cuba, Honduras, the Dominican Republic, and Ukraine (which later withdrew its complaint). Each of these complainant countries manufactured tobacco products but ‘trade flows between them and Australia have been low or non-existent’.[[23]](#footnote-24)The complainant members claimed that the plain packaging measures have been adopted in contravention of the TRIPs Agreement, the ‘Agreement on Technical Barriers to Trade’, ‘the General Agreement on Tariffs & Trade 1994’.Six years after the complaints were filed, on 28 June 2018, the WTO circulated its panel report in favour of Australia. The WTO Panel Reports were adopted by Dispute Settlement Body on 27th August 2018. The panel’s decision that runs to 888 pages is important mainly for the reason that it stated the right to use trademark as not a positive right and held that the plain packaging measures are not consistent with the provisions of TRIPS Agreement. The Panel found that the TPPA measures adopted by Australia were a ‘meaningful contribution to Australia’s objective of reducing the use of, and exposure to tobacco products.’[[24]](#footnote-25) In the voluminous report, the Panel examined the issues thread barely. This section discusses the findings of WTOPanel on trademark issues.

*Article 16.1 of TRIPS*

In relation to TPPA, it was crucial for the Panel to interpret the scope of Article 16.1. The complaining parties claimed that TPPA provisions are in contravention of Article 16.1 as bar on the use of the tobacco-related trademarks diminishes trademark’s distinctiveness and erodes the ability of trademarks to demonstrate the ‘likelihood of confusion’. In other words, complainants argued that TPPA measures contravene Article 16(1) in dual manner; first, by diminishing the distinctiveness or strength of a trademark and second, the reduced distinctiveness of a trademark makes it for difficult for the trademark owners to prove the ‘likelihood of confusion’. [[25]](#footnote-26) Citing the previous Panel decision in *E.C.- Trademarks and Geographical Indications[[26]](#footnote-27)*, Australia argued that trade marks proprietors have ‘legitimate interest to use’ their trademarks and ‘the ability to use the trademark is a general market freedom and not a right protected by Article 16.1’. Australia also argued that Article 16(1) does not give any ‘right to confusion’ which“would require Members to ensure that a likelihood of confusion arises so that trademark owners would be able to prevent use of similar signs”.[[27]](#footnote-28)

*Article 20 of the TRIPS Agreement*

Complainants made claims under Article 20 of TRIPs, which reads as:

“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.”

Complaining members argued that the trade mark restrictions under TPPA impose ‘special requirements’ that ‘encumber’ use of trademark ‘in the course of trade’, and such special requirements are ‘unjustifiable’.[[28]](#footnote-29) To establish a violation under Article 20, following three elements need to be proved:

*‘Special Requirement’*

The first issue related to Article 20 was whether Australia’s TPPA measures constituted ‘special requirement’. It further posed a question whether prohibition on use of trademark is a special requirement under Art. 20. To determine what constitutes ‘special requirement’, the Panel looked at the ordinary meaning of the phrase in consonance to purpose and aim of the Agreement.Australia argued that rights that the member states are obliged to confer as per theAgreement are the negative rights to exclude others, not ‘rights of use’.[[29]](#footnote-30) Australia was of the view that Article 20 deals with special requirement imposed *on the use of trademark*. Hence, Article 20 is concerned with ‘*how* a trademark may be used *when it is used*, not to *whether* it can be used.’[[30]](#footnote-31) If the national legislation does not allow use of trademark, then Article 20 does not come into play.

*‘Encumbrance’*

The next question before the Panel was for deciding whether ‘special requirement’ can be considered asimpedingthe use of a trademark. In order to determine the violation under Article 20, it is necessary to prove that the special requirements impede in the use of a trademark. The term ‘encumber’ was also given an ordinary meaning, that is, ‘to restrict or impede something in such a way that the action or movement is difficult’.[[31]](#footnote-32) To determine the ambit of ‘encumbrance’ under Article 20, the WTO Panel differentiated between highly restrictive requirement that is almost near to prohibition and would require a justification, and on the other hand, an outright prohibition of use that would not require any justification.[[32]](#footnote-33)The TPP standards only allow for the use of wordmarks which convey name of brand. They forbid the use of any figurative or stylised word marks. The complaining parties claimed that TPP measures requiring use of word marks impose ‘special requirements’. The Panel agreed with this view of the parties that such use constitutes ‘special requirements’ as per Art. 20.

*‘In the course of trade’*

The next important question before the Panel was whether these special requirements encumber use in the course of trade. The phrase 'in the course of trade’ has diverse interpretations. Australia argued that ‘the course of trade’ means acts undertaken during purchase and sale of products for profit[[33]](#footnote-34) and use of trademark can be impeded only when the goods bearing the trademark remain within ‘the course of trade’ that culminate at time of sale.[[34]](#footnote-35) The Panel noted that the phrase is also used in Article 16.1 and Article 24.8 of the TRIPS Agreement, as well as in Article 10bis(3)(3) and (3)(2) of the Paris Convention. The validity of the TPPA hinged upon the interpretation of ‘unjustifiably’ in light of Art. 20.[[35]](#footnote-36) WTO Panel had not considered interpretation of this word earlier. The Panel gave an ordinary meaning to the term ‘unjustifiably’. The term ‘unjustifiable’ means ‘without justification, indefensible’. Justifiable means ability ‘to be legally or morally justified, able to be shown to be just, reasonable, or correct, defensible’. The term ‘justifiable’ means in ‘a justifiable manner with justification’.[[36]](#footnote-37)It was concluded by Panelthat the phrase ‘unjustifiably’ means a state wherein the use ofatrademark is encumbered by certain restrictions without adequate reason or justification.[[37]](#footnote-38)To sum up, WTO Panel recognised that ‘trademarks have substantial economic value and that the special requirements are far-reaching in terms of the trademark owners possibilities to extract economic value from the use of figurative or stylized features of trademarks’.[[38]](#footnote-39) The Panel noted that requirements of plain packaging do not ‘unjustifiably encumber the use of trademarks in the course of trade’ as per Art.20 of the Agreement.

1. **Conclusion**

WTO Panel’s decision can be said to have various positive impacts. The most obvious impact of the TPPA is the reduction in tobacco use. According to World Health Organization, consumption of tobacco kills more than 8 million of population annually. The report provides that above7million of the deaths are due to the direct use of tobacco and around 1.2 million deaths are of passive smokers.[[39]](#footnote-40)The report can encourage other countries to regulate other injuriouseatables and drinks. The Chilean Government took an initiative to diminish the advertising of unhealthy foods. The Chilean laws impose ban on the sale of food items like ice cream, potato chips and chocolates in schools and also prohibits the advertisements of such products during television programmes for kids. As per the recommendation by Public Health England,[[40]](#footnote-41) a government advisory agency, alcohol bottles should be offered in simple packaging with higher health warnings. It can be said that the WTO findings on plain packaging can go beyond tobacco products.Apart from the right to use a trademark, this issue also involves a question of proportionality. The standardised packaging also needs to be considered from the lens of proportionality. As there is a clash of interests between trade interests and public health, it becomes imperative to apply the proportionality standard in order to balance the two opposite interests. The proportionality test is known for decades to balance the interests. As per the proportionality, the right to use a trademark should be conferred on a person, keeping in mind that it is not disproportionate to harm the public health. The proportionality standard is generally applied by courts in those cases wherein the question of fundamental right is involved. In the present case, the standardized packaging is a measure that impinges upon the right to health of the passive smokers, thatneeds to be weighed against the trade interests of the companies. It is important to note that fundamental right of citizens at large has to be the considered while applying the proportionality standard. The larger public health issues demand the application of proportionality. As there is no right to use a trademark in international instruments, the traders’ interests can successfully be limited in favour of the larger public health issues.

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2. *JT International SA v Commonwealth of Australia* [2012] HCA 43 [↑](#footnote-ref-3)
3. The W.H.O.Framework Convention on Tobacco Control[2003], foreword [↑](#footnote-ref-4)
4. Ibid, art 6 & 7 [↑](#footnote-ref-5)
5. Chang Fa Lo, ‘Plain Packaging and Indirect Expropriation of Trademark Rights Under BITs’ [2012] 31 Medicine and Law Journal 521, 527 [↑](#footnote-ref-6)
6. The TRIPS Agreement, article 18, 19 & 21 [↑](#footnote-ref-7)
7. Alberto Alemanno& Enrico Bonadio*,*‘The Case of Plain Packaging of Cigarettes’ [2010] European Journal of Risk Regulation 268 [↑](#footnote-ref-8)
8. AmulyaChinmaye&SaahilDama, ‘Plain packaging: TRIPping on trade marks?’ [2016] 11 *JIPLP* 913 [↑](#footnote-ref-9)
9. A. Maxwell, ‘Plainly Justifiable: The World Trade Organizations Ruling on the Validity of Australia’s Plain Packaging under Article 20 of the TRIPS Agreement’ [2019] 14 Asian Journal of W.T.O.and International Health Law and Policy 115 [↑](#footnote-ref-10)
10. Stoll PeterTobias et al., *W.T.O.- Trade-Related Aspects of Intellectual Property Rights*[7 ed. MartinusNijhoff2008] 345 [↑](#footnote-ref-11)
11. ibid [↑](#footnote-ref-12)
12. Paris Convention for the Protection of Industrial Property 1883, art 7. [↑](#footnote-ref-13)
13. Daniel J. Gervais & Susy Frankel, ‘Plain Packaging and Interpretation of the TRIPS Agreement’[2013] 46 Vanderbilt Journal of Transnational Law 1149 [↑](#footnote-ref-14)
14. Voon& Mitchell, ‘Face Off: Assessing WTO Challenges to Australia's Scheme for Plain Tobacco Packaging’ [2011] 22 Pub. L. Rev. 218, 236 [↑](#footnote-ref-15)
15. Carlos M. Correa, ‘*Trade Related Aspects of Intellectual Property Rights: A Commentary on the TRIPS Agreement’* (OUP 2007)182–6 [↑](#footnote-ref-16)
16. Stoll Peter-Tobias et al., *W.T.O.: Trade -Related Aspects of Intellectual Property Rights*[ 7 ed. MartinusNijhoff 2008] 341 [↑](#footnote-ref-17)
17. The Tobacco Plain Packaging Act 2011, s 3 (1) (a) (i) –(iv) [↑](#footnote-ref-18)
18. ibid s 3(2) (a) to (c) [↑](#footnote-ref-19)
19. ibid s 18 [↑](#footnote-ref-20)
20. ibid s 20 (3) [↑](#footnote-ref-21)
21. ibid s 19 [↑](#footnote-ref-22)
22. There were 39 international cases at different levels. For more, see S.Puig, ‘Tobacco Litigation in International Courts’ (2016) Vol. *57(2)*Harvard Int. L. J., 283 [↑](#footnote-ref-23)
23. S.Puig, ‘Tobacco Litigation in International Courts’Vol. 57(2)(2016)Harvard Int. L. J.

38 3,411 [↑](#footnote-ref-24)
24. The W.T.O. Panel Report, Australia “Certain Measures Concerning Trademarks, and other Plain Packaging requirements applicable to Tobacco Products and Packaging”, ( June 28, 2018] WT/DS435/R, WT/DS441/R, WT/DS458/R, WT/DS467/R, 7.1043 [↑](#footnote-ref-25)
25. Ibid,7.1986 [↑](#footnote-ref-26)
26. European Communities - Protection of Trademarks and Geographical Indications for Agricultural

 products and foodstuffs [15 March 2005] (WT/DS174/R) [↑](#footnote-ref-27)
27. The W.T.O. Panel Report, 7.1984 [↑](#footnote-ref-28)
28. Ibid. 7.2135 [↑](#footnote-ref-29)
29. Ibid. 7.2188 [↑](#footnote-ref-30)
30. ibid.7.2185 [↑](#footnote-ref-31)
31. Ibid7.2235 [↑](#footnote-ref-32)
32. Ibid 7.2238 [↑](#footnote-ref-33)
33. Ibid 7.2252 [↑](#footnote-ref-34)
34. Ibid [↑](#footnote-ref-35)
35. A. Maxwell, ‘Plainly Justifiable: The World Trade Organization’s Ruling on the Validity of Australia’s Plain Packaging under Article 20 of the Trips Agreement’ [2019] 14*Asian J. W.T.O.& Int. Health .L &Pol’y 115*, 124 [↑](#footnote-ref-36)
36. The WTO Panel Report, 7.2394 [↑](#footnote-ref-37)
37. ibid 7.2395 [↑](#footnote-ref-38)
38. ibid 7.2604 [↑](#footnote-ref-39)
39. *Tobacco Fact Sheet*, WHO, <https://www.who.int/news-room/fact-sheets/detail/tobacco#:~:text=Tobacco%20kills%20more%20than%208,%2D%20and%20middle%2Dincome%20countries>. [↑](#footnote-ref-40)
40. C. R.Zocco, ‘Plain Packaging: A Growing Threat to Trade mark Rights’, *Les Nouvelles*, 141 (2013) [↑](#footnote-ref-41)