WORLD TRADE ORGANIZATION

WT/DS435/R, WT/DS441/R
WT/DS458/R, WT/DS467/R

28 June 2018

Original: English

AUSTRALIA – CERTAIN MEASURES CONCERNING TRADEMARKS, GEOGRAPHICAL INDICATIONS AND OTHER PLAIN PACKAGING REQUIREMENTS APPLICABLE TO TOBACCO PRODUCTS AND PACKAGING

Report of the Panels
(EXCERPTED[1])

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MAIN ABBREVIATIONS USED IN THESE REPORTS

Abbreviation	Description
ABAC	Alcohol Beverages Advertising (and Packaging) Code
ABS	Australian Bureau of Statistics
ACBPS	Australian Customs and Border Protection Services
ACCC	Australian Competition and Consumer Commission
ACL	Australian Consumer Law (Competition and Consumer Act 2010 (Cth), Schedule 2
ACT	Australian Capital Territory
Amended GPA	Agreement on Government Procurement, as amended by the 2012 Protocol
Anti-Dumping Agreement	Agreement on Implementation of Article VI of the General Agreement on Tariffs and Trade 1994
ANPHA	Australian National Preventive Health Agency
ARIMA	autoregressive integrated moving average
ARIMAX	autoregressive integrated moving average with explanatory variable
Article 11 FCTC Guidelines	FCTC Guidelines for Implementation of Article 11 of the FCTC
Article 13 FCTC Guidelines	FCTC Guidelines for Implementation of Article 13 of the FCTC
Article 11 and Article 13 FCTC Guidelines	FCTC Guidelines for Implementation of Article 11 of the FCTC and FCTC Guidelines for Implementation of Article 13 of the FCTC
ASEAN	Association of South-East Asian Nations
ASSAD	Australian Secondary Students Alcohol Smoking and Drug
ATMOSS	Australian Trade Marks Online Search System
AUD	Australian dollar
BATA	British American Tobacco Australia
BMJ	British Medical Journal
CCA	Competition and Consumer Act 2010 (Cth)
CCQ	Cancer Council Queensland
CCV	Cancer Council Victoria
CI Regulations	Commerce (Imports) Regulations 1940 (Cth)
CINSW	Cancer Institute New South Wales
CISNET	Cancer Intervention and Surveillance Modeling Network
CITTS	Cancer Institute New South Wales Tobacco Tracking Survey
Codex	Codex Alimentarius Commission
COP	Conference of the Parties
CSE	cigarette stick equivalents

Abbreviation	Description
Doha Declaration	Declaration on the TRIPS Agreement and Public Health, WT/MIN(01)/DEC/2 (14 November 2001)
DHA	Department of Health and Ageing
DSB	Dispute Settlement Body
DSU	Understanding on Rules and Procedures Governing the Settlement of Disputes
EOS	Exchange of Sales
EPS	empty pack survey
FAO	Food and Agriculture Organization of the United Nations
FCTC	WHO Framework Convention on Tobacco Control, done at Geneva, 21 May 2003, UN Treaty Series, Vol. 2302, p. 166
FCTC Guidelines	FCTC Guidelines for Implementation of the FCTC
FMC	factory-made cigarettes
GATS	General Agreement on Trade in Services
GATT 1947	General Agreement on Tariffs and Trade 1947
GATT 1994	General Agreement on Tariffs and Trade 1994
GEE	generalised estimating equation
GI(s)	geographical indication(s)
GHW(s)	graphic health warning(s)
GPA	Agreement on Government Procurement
GRP(s)	gross rating point(s)
Havana Charter	Havana Charter for an International Trade Organization
IARC	International Agency for Research on Cancer
ILO	International Labour Organization
IMS	In-Market-Sales
IMS/EOS	In-Market-Sales/Exchange of Sales
Information Standard	Competition and Consumer (Tobacco) Information Standard 2011 (Cth)
IP	intellectual property
IPE	Institute for Policy Evaluation
IPPC	International Plant Protection Convention
IPPCC	International Plant Protection Convention Commission
ISO	International Organization for Standardization
ISO/IEC Guide 2: 1991	International Organization for Standardization / International Electrotechnical Commission Guide 2, General Terms and Their Definitions Concerning Standardization and Related Activities, 6th edn (1991)
ITA	Imperial Tobacco Australia Limited

Abbreviation	Description
ITC	International Tobacco Control
ITC Project	International Tobacco Control Policy Evaluation Project
IV	instrument variable
LHM	large handmade
Lisbon Agreement	"Lisbon Agreement for the International Registration of Appellations of Origin"
MFN	most-favoured-nation
MLA	minimum age of legal access
MLPA	minimum legal purchasing age
Declaration on Dispute Settlement Pursuant to Article VI of the GATT 1994 or Part V of the SCM Agreement	Declaration on Dispute Settlement Pursuant to the Agreement on Implementation of Article VI of the General Agreement on Tariffs and Trade 1994 or Part V of the Agreement on Subsidies and Countervailing Measures
NDSHS	National Drug Strategy Household Survey
NHS	National Health Survey
NPHT	National Preventative Health Taskforce
NTPPTS	National Tobacco Plain Packaging Tracking Survey
NSW	New South Wales
NSWPHS	New South Wales Population Health Survey
NTC	National Tobacco Campaign
OBPR	Office of Best Practice Regulation
OIE	World Organization for Animal Health
OECD	Organisation for Economic Co-operation and Development
OLS	ordinary least square
Paris Convention	Paris Convention for the Protection of Industrial Property
Paris Convention (1967)	Stockholm Act of the Paris Convention for the Protection of Industrial Property of 14 July 1967
PCC	Pacific Cigar Company
PIR	post-implementation review
PML	Philip Morris Limited
RIS	regulation impact statement
RMSS	Roy Morgan Single Source
RYO	roll-your-own
SAHOS	South Australian Health Omnibus Survey
SCI	strictly confidential information
SCM Agreement	Agreement on Subsidies and Countervailing Measures
SDR	socially desirable responding

Abbreviation	Description
SPS Agreement	Agreement on the Application of Sanitary and Phytosanitary Measures
SSHBS	New South Wales School Students Health Behaviours Survey
TBT Agreement	Agreement on Technical Barriers to Trade
TBT Committee Recommendation	Committee on Technical Barriers to Trade, Secretariat Note, "Decisions and Recommendations Adopted by the WTO Committee on Technical Barriers to Trade Since 1 January 1995", WTO Document G/TBT/1/Rev.12 (21 January 2015), Section 4.3.1.1, p. 20 (entitled "Significant effect on trade of other Members")
TCT	Tobacco Control Taskforce
TM Act	Trade Marks Act 1995 (Cth)
TMA Act	Trade Marks Amendment (Tobacco Plain Packaging) Act 2011 (Cth)
TMA Bill	Trade Marks Amendment (Tobacco Plain Packaging) Bill 2011 (Cth)
Tokyo Round Standards Code	1979 Tokyo Round Agreement on Technical Barriers to Trade
TPB	Theory of Planned Behaviour
TPP Act	Tobacco Plain Packaging Act 2011 (Cth)
TPP Bill	Tobacco Plain Packaging Bill 2011 (Cth)
TPP literature	tobacco plain packaging literature
TPP measures	Tobacco Plain Packaging Act 2011 (Cth); Tobacco Plain Packaging Regulations 2011 (Cth), as amended by the Tobacco Plain Packaging Amendment Regulation 2012 (No. 1) (Cth); Trade Marks Amendment (Tobacco Plain Packaging) Act 2011 (Cth)
TPP Regulations	Tobacco Plain Packaging Regulations 2011 (Cth), as amended by the Tobacco Plain Packaging Amendment Regulation 2012 (No. 1) (Cth)
TRA	Theory of Reasoned Action
TRIPS Agreement	Agreement on Trade-Related Aspects of Intellectual Property Rights
TWG	Tobacco Working Group
USCDC	United States Centers for Disease Control and Prevention
USFDA	United States Food and Drug Administration
USIOM	United States Institute of Medicine
Vienna Convention	Vienna Convention on the Law of Treaties, done at Vienna, 23 May 1969, UN Treaty Series, Vol. 1155, p. 331
VSHS	Victorian Smoking and Health Survey
WHA	World Health Assembly
WHO	World Health Organization
WIPO	World Intellectual Property Organization
WTO	World Trade Organization
WTO Agreement	Marrakesh Agreement Establishing the World Trade Organization

INTRODUCTION

On 4 April 2012, Honduras requested consultations with Australia with respect to the measures and claims set out below. On 18 July 2012, the Dominican Republic requested consultations with Australia with respect to the measures and claims set out below. On 3 May 2013, Cuba requested consultations with Australia. On 20 September 2013, Indonesia requested consultations with Australia with respect to the measures and claims set out below. Argentina, Brazil, Canada, Chile, China, the Dominican Republic, Ecuador, the European Union, Guatemala, Honduras, India, Indonesia, Japan, the Republic of Korea, Malaysia, Mexico, New Zealand, Nicaragua, Nigeria, Norway, Peru, the Philippines, the Russian Federation, the Kingdom of Saudi Arabia, Singapore, South Africa, Chinese Taipei, Thailand, Turkey, Ukraine, the United States, Uruguay, and Zimbabwe notified their interest in participating in the panel proceedings as third parties. On 5 May 2014, the Director-General accordingly composed the panels as follows:

Chairperson:	Mr Alexander Erwin
Members:	Mr François Dessemontet
	Ms Billie Miller

On 7 April 2011, the Australian Government released an Exposure Draft of the Tobacco Plain Packaging Bill 2011 (Cth) (TPP Bill) for public consultations, which lasted until 6 June 2011. The TPP Bill and Trade Marks Amendment (Tobacco Plain Packaging) Bill 2011 (Cth) (TMA Bill) were passed by the Parliament in November 2011 and received Royal Assent on 1 December 2011, thus becoming, respectively, the TPP Act and the TMA Act. The TPP Regulations were adopted on 7 December 2011 and amended on 8 March 2012. As indicated above, taken together, the TPP Act, the TMA Act and the TPP Regulations form the measures at issue in these disputes.

The measures at issue

1.01 The TPP Act is, by its own terms, "[a]n Act to discourage the use of tobacco products, and for related purposes". A simplified outline contained in the TPP Act itself describes it as follows:

- This Act regulates the retail packaging and appearance of tobacco products in order to:

  (a) improve public health; and

  (b) give effect to certain obligations in the Convention on Tobacco Control.

- Part 2 of Chapter 2 specifies requirements for the retail packaging and appearance of tobacco products. (If there is an acquisition of property otherwise than on just terms, regulations made under section 15 might also specify requirements.)

- The retail packaging and appearance of tobacco products must comply with the requirements of this Act.

- Offences and civil penalties apply if tobacco products are supplied, purchased or manufactured and either the retail packaging, or the products themselves, do not comply with the requirements

1.1 The term "tobacco product" is defined in the TPP Act to mean "processed tobacco, or any product that contains tobacco" that is "manufactured to be used for smoking, sucking, chewing or snuffing" and "not included in the Australian Register of Therapeutic Goods maintained under the *Therapeutic Goods Act 1989*". This definition encompasses not only cigarettes, but also "non-cigarette" products, such as cigars, little cigars (also known as cigarillos) and bidis. To the extent that some of the products covered by this definition may be prohibited in Australia, either by the Commonwealth or states and territories, the TPP Act does not affect their legality.

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1.2 The TPP Bill and TMA Bill were accompanied by Explanatory Memoranda. Such documents are "documents that assist members of Parliament, officials and the public to understand the objectives and detailed operation of the clauses of a Bill". In Australia, an Explanatory Memorandum may also serve as "extrinsic material" that can be used as an aid to judicial interpretation of Acts. The TPP Regulations were accompanied by a similar document, an Explanatory Statement, which may also serve as an extrinsic aid to judicial interpretation.

1.3 Section 109 of the TPP Act provides that "[t]he Governor-General may make regulations prescribing matters: (a) required or permitted by this Act to be prescribed; or (b)

necessary or convenient to be prescribed for carrying out or giving effect to this Act". The TPP Regulations were made pursuant to this provision.

"Objects" of the TPP Act

1.4 Section 3 of the TPP Act, entitled "Objects of this Act", provides:

(1) The objects of this Act are:

(a) to improve public health by:

(i) discouraging people from taking up smoking, or using tobacco products; and

(ii) encouraging people to give up smoking, and to stop using tobacco products; and

(iii) discouraging people who have given up smoking, or who have stopped using tobacco products, from relapsing; and

(iv) reducing people's exposure to smoke from tobacco products; and

(b) to give effect to certain obligations that Australia has as a party to the Convention on Tobacco Control.

(2) It is the intention of the Parliament to contribute to achieving the objects in subsection (1) by regulating the retail packaging and appearance of tobacco products in order to:

(a) reduce the appeal of tobacco products to consumers; and

(b) increase the effectiveness of health warnings on the retail packaging of tobacco products; and

(c) reduce the ability of the retail packaging of tobacco products to mislead consumers about the harmful effects of smoking or using tobacco products.

1.5 The term "Convention on Tobacco Control" is defined as meaning the WHO Framework Convention on Tobacco Control (FCTC). The TPP Bill Explanatory Memorandum states that the "introduction of plain packaging for tobacco products is one of the means by which the Australia Government will give effect to Australia's obligations under the [FCTC]" and, in this context, refers to Articles 5, 11 and 13 of the FCTC. The TPP Bill Explanatory Memorandum adds that Section 3(2) "is not intended to be an exhaustive list of ways in which ... Australia's obligations under the WHO FCTC may be met".

Requirements for retail packaging of tobacco products

1.6 The TPP Act specifies requirements for the retail packaging of tobacco products. The Act defines "retail packaging" as:

(a) any container for retail sale in which the tobacco product is directly placed; or

(b) any container for retail sale that contains a smaller container in which the tobacco product is directly placed; or

(c) any plastic or other wrapper that covers any retail packaging of the tobacco product (within the meaning of paragraph (a) or (b) of this definition); or

(d) any plastic or other wrapper that covers the tobacco product, being a tobacco product that is for retail sale; or

(e) any insert that is placed inside the retail packaging of the tobacco product (within the meaning of any of paragraphs (a) to (d) of this definition); or

(f) any onsert that is affixed or otherwise attached to the retail packaging of the tobacco product (within the meaning of any of paragraphs (a) to (d) of this definition)

1.7 As elaborated in the TPP Bill Explanatory Memorandum, the TPP Act regulates "any container that a tobacco product is packed in for retail sale, including the package immediately around the tobacco product, any carton that contains one or more packages of tobacco products for retail sale, any wrapper that covers the packaging of a tobacco product or a tobacco product itself, and anything placed in the packaging apart from the tobacco product and anything attached to or forming part of the packaging".

1.8 Sections 18 to 25 of the TPP Act set out requirements for retail packaging of tobacco products and Section 26 sets out the requirements for appearance of tobacco products. Section 27 of the TPP Act provides that regulations may prescribe additional requirements in relation to the retail packaging of tobacco products, and the appearance of tobacco products. These requirements are in the TPP Regulations. The cumulative effect of the TPP Act and TPP Regulations as applied to the packaging of tobacco products are summarized below.

Physical features of retail packaging

1.9 Section 18(1) of the TPP Act provides that the outer and inner surfaces of the retail packaging of all tobacco products must not have any "decorative ridges, embossing, bulges or other irregularities of shape or texture, or any other embellishments" (other than as permitted by the TPP Regulations). Additionally, "any glues or other adhesives used in manufacturing the packaging must be transparent and not coloured". The TPP Regulations set out other specifications for the physical features of tobacco packaging for retail sale, including requirements for cigarette packs, cigarette cartons, cigar tubes, and any other type of packaging.

Colour and finish of retail packaging

1.10 Section 19 of the TPP Act sets out additional requirements for all outer and inner surfaces of certain retail packaging of tobacco products, including both sides of any lining of a cigarette pack. These surfaces must have a matt finish and must be drab dark brown, though the colour requirement does not apply to health warnings, the text of the brand, business or company name, or variant name, or the text of relevant legislative requirements. The TPP Regulations further stipulate that the outer surfaces of these packages must be the colour Pantone 448C (drab dark brown), and that the inner surfaces of a cigarette pack or cigarette carton must be white. The inner surface of these packages (other than a cigarette pack or cigarette carton) must be either white or the colour of the packaging material in its natural state. The lining of a cigarette pack must be silver coloured foil with a white paper backing.

Trademarks and other marks on retail packaging

1.11 Section 20 of the TPP Act prohibits the appearance of trademarks and marks anywhere on the retail packaging of tobacco products, with the exception of the brand name, business or company name, variant name, the relevant legislative requirements, and other trademarks and marks permitted by the TPP Regulations. The TPP Regulations make provision for the appearance of origin marks, calibration marks, a measurement mark and trade description, a barcode, a fire risk statement, a locally made product statement, the name and address of the person who packed the product or on whose behalf it was packed, and a consumer contact number.[228] These markings must not obscure any relevant legislative requirement, or constitute or provide access to tobacco advertising and promotion.

1.12 Section 21 of the TPP Act, operating together with the TPP Regulations, prescribes the requirements for the manner in which the brand, business, company or variant names for tobacco products may appear on the retail packaging of a tobacco product. With respect to cigarette packaging, any of these names must be printed in the Lucida Sans typeface in fonts no larger than 14-point size (for a brand, business or company name) or 10-point size (for a variant name). The font must be normal weighted and in the colour Pantone Cool Gray 2C. With respect to retail packaging other than retail packaging of cigarettes, names must meet the same specifications, but can be printed on the packaging or on an adhesive label fixed to the packaging. Such adhesive label must be in the colour Pantone 448C (drab dark brown), no larger than reasonably necessary to print the permitted names, be fastened firmly to the retail packaging so as not to be easily removable, and must not obscure any relevant legislative requirement.

1.13 Section 21(3) of the TPP Act specifies the location and orientation of these names with respect to cigarette packaging:

Table 1: Requirements for brand, business, company or variant names

Requirements for brand, business, company or variant names			
Item	**If this name …**	**appears on this surface …**	**the name …**
1	a brand, business or company name	the front outer surface of a cigarette pack	must appear: (a) horizontally below, and in the same orientation as, the health warning; and (b) in the centre of the space remaining on the front outer surface beneath the health warning.
2	a brand, business or company name	the front outer surface of a cigarette carton	must appear: (a) in the same orientation as the health warning; and (b) in the centre of the space on the front outer surface that is not occupied by the health warning.
3	a brand, business or company name	any outer surface of a cigarette pack or cigarette carton (other than a front outer surface)	must appear: (a) horizontally; and (b) in the centre of the outer surface of the pack or carton.
4	variant name	any outer surface of a cigarette pack or cigarette carton	must appear: (a) horizontally and immediately below the brand, business or company name; and (b) in the same orientation as the brand, business or company name.

Wrappers

1.14 Section 22 of the TPP Act concerns requirements for wrappers. Wrappers must be transparent and not coloured, marked, textured or embellished in any way, other than as permitted by the TPP Regulations. Neither trademarks nor marks may appear anywhere on the wrapper, except as permitted by the TPP Regulations. These requirements are elaborated in the TPP Regulations.

Inserts and onserts

1.15 Section 23 of the TPP Act applies to certain types of retail packaging, and provides that these packages must not have any inserts or onserts, other than as permitted by the TPP Regulations. The TPP Regulations provide that retail packaging of tobacco products may include an adhesive label bearing a health warning, and, except with respect to cigarettes and cigarette cartons, may contain an insert if it is used to avoid damage to the tobacco product during transportation or storage, and is white or the colour of the packaging material in its natural state. Packages of tobacco products other than cigarettes may include a tab for resealing the package, provided that it is either black, transparent and not coloured, or the colour Pantone 448C (drab dark brown).

Summary of requirements on retail packaging

1.16 As described below, the requirements set out in the TPP Act and the TPP Regulations operate in conjunction with other legislative requirements that are not challenged in these disputes, including graphic health warnings (GHWs). The cumulative effects of the requirements set out in the TPP Act and the TPP Regulations, and other legislative requirements with respect to the packaging of cigarettes and cigars, are shown below:

Figure 1: TPP Act and TPP Regulations as applied to the front, top, and side of a cigarette pack

Figure 2: TPP Act and the TPP Regulations as applied to the back, base and side of a cigarette pack

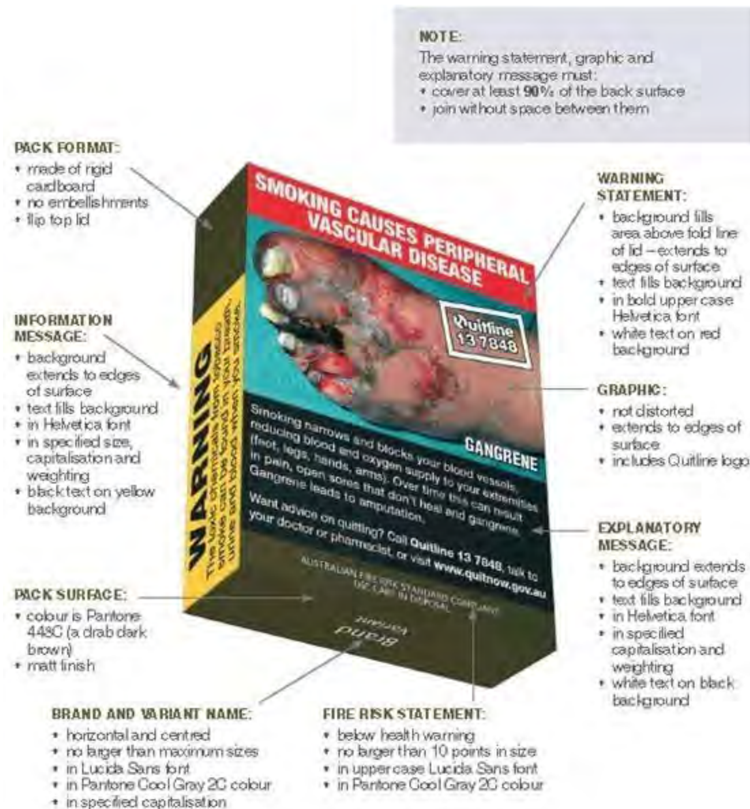

Figure 3: TPP Act and TPP Regulations as applied to the front, top and side of a cigarette carton

Figure 4: TPP Act and TPP Regulations as applied to the back, base and side of a cigarette carton

CIGARETTE CARTON – BACK

NOTE:

The warning statement, graphic and explanatory message must:

- cover at least **90%** of the back surface
- join without space between them

BRAND AND VARIANT NAME:

- horizontal and centred on the surface
- no larger than maximum sizes
- in Lucida Sans font
- in Pantone Cool Gray 2C colour
- in specified capitalisation

GRAPHIC:

- not distorted
- extends to edges of surface
- includes Quitline logo

WARNING STATEMENT:

- background extends to edges of surface
- text fills background
- in bold uppercase Helvetica font
- white text on red background

OTHER MARKINGS:

- name and address, country of manufacture, contact number, alphanumeric code
- in Lucida Sans font
- no larger than 10 points in size
- in specified colours

CARTON FORMAT AND SURFACE:

- colour is Pantone 448C (a drab dark brown)
- matt finish
- made of rigid cardboard
- no embellishments

FIRE RISK STATEMENT:

- below health warning
- no larger than 10 points in size
- in upper case Lucida Sans font
- in Pantone Cool Gray 2C colour

EXPLANATORY MESSAGE:

- background extends to edges of surface
- text fills background
- in Helvetica font
- in specified capitalisation and weighting
- white text on black background

NOTE:

This image illustrates the back surface health warning layout for horizontal cigarette cartons.

Vertical cigarette cartons must display the health warning on the back surface using this layout:

Warning statement
Graphic
Explanatory message

The TMA Act

1.17 The TMA Act inserts into the TM Act a new provision, namely Section 231A. The TMA Bill Explanatory Memorandum explains that:

> The [TMA Bill] is being introduced so, if necessary, the government can quickly remedy any unintended interaction between the [TPP Act] and the *Trade Marks Act 1995* .... The objective of any such exercise of power under the Bill will be to ensure that applicants for trade mark registration and registered owners of trade marks are not disadvantaged by the practical operation of the Plain Packaging Act.

1.18 The Explanatory Memorandum continues that:

> [T]he proposed Bill will insert a new section 231A to allow regulations to be made under the Trade Marks Act in relation to the effect of the operation of the [TPP Act] and regulations made under that Act on (a) a provision of the Trade Marks Act or (b) of a regulation made under that Act.
>
> Regulations made under new section 231A are not intended to have any effect on the operation of the Trade Marks Act in relation to goods or services not governed by the Plain Packaging Act.

1.19 The TMA Act entered into force on 1 December 2011.

The FCTC

1.20 The FCTC, negotiated under the auspices of the WHO, has been referred to by the parties in the course of the proceedings. As described above, the TPP Act states that one of its objectives is "to give effect to certain obligations that Australia has as a party to the Convention on Tobacco Control".

Background

1.21 In 1995, the 49th World Health Assembly (WHA) of the WHO launched the negotiation of an international tobacco control instrument. These negotiations concluded with the adoption of the FCTC by the WHA in May 2003. The Convention entered into force in February 2005.

1.22 The FCTC has 180 parties (FCTC Parties). 149 of the FCTC Parties are also Members of the World Trade Organization (WTO). Among the five parties to these disputes, Australia and Honduras have signed and ratified the FCTC. Cuba has signed, but not ratified, the FCTC, and the Dominican Republic and Indonesia are not signatories. Thus Cuba, the Dominican Republic and Indonesia are not FCTC Parties.

Selected provisions of the FCTC

1.23 The FCTC's objective, as set out in Article 3, is to:

> [P]rotect present and future generations from the devastating health, social, environmental and economic consequences of tobacco consumption and exposure to tobacco smoke by providing a framework for tobacco control measures to be implemented by the Parties at the national, regional and international levels in order to reduce continually and substantially the prevalence of tobacco use and exposure to tobacco smoke.

1.24 Article 5, entitled "General Obligations", provides the following in its first paragraph:

> Each Party shall develop, implement, periodically update and review comprehensive multisectoral national tobacco control strategies, plans and programmes in accordance with this Convention and the Protocols to which it is a party.

1.25 The Convention defines "tobacco control" as "a range of supply, demand and harm reduction strategies that aim to improve the health of a population by eliminating or reducing their consumption of tobacco products and exposure to tobacco smoke".

1.26 Part III of the Convention, entitled "Measures relating to the reduction of demand for tobacco", contains provisions entitled "Packaging and labelling of tobacco products" (Article 11) and "Tobacco advertising, promotion and sponsorship" (Article 13).

1.27 Article 11 addresses "packaging and labelling of tobacco products" and provides as follows:

Article 11
Packaging and labelling of tobacco products

1.27.1 Each Party shall, within a period of three years after entry into force of this Convention for that Party, adopt and implement, in accordance with its national law, effective measures to ensure that:

- tobacco product packaging and labelling do not promote a tobacco product by any means that are false, misleading, deceptive or likely to create an erroneous impression about its characteristics, health effects, hazards or emissions, including any term, descriptor, trademark, figurative or any other sign that directly or indirectly creates the false impression that a particular tobacco product is less harmful than other tobacco products. These may include terms such as "low tar", "light", "ultra-light", or "mild"; and

- each unit packet and package of tobacco products and any outside packaging and labelling of such products also carry health warnings describing the harmful effects of tobacco use, and may include other appropriate messages. These warnings and messages:

    - shall be approved by the competent national authority,
    - shall be rotating,
    - shall be large, clear, visible and legible,
    - should be 50% or more of the principal display areas but shall be no less than 30% of the principal display areas,
    - may be in the form of or include pictures or pictograms.

1.27.2 Each unit packet and package of tobacco products and any outside packaging and labelling of such products shall, in addition to the warnings specified in paragraph 1(b) of this Article, contain information on relevant constituents and emissions of tobacco products as defined by national authorities.

1.27.3 Each Party shall require that the warnings and other textual information specified in paragraphs 1(b) and paragraph 2 of this Article will appear on each unit packet and package of tobacco products and any outside packaging and labelling of such products in its principal language or languages.

1.27.4 For the purposes of this Article, the term "outside packaging and labelling" in relation to tobacco products applies to any packaging and labelling used in the retail sale of the product.

1.28 Article 13 addresses "tobacco advertising, promotion and sponsorship" and reads as follows:

Article 13
Tobacco advertising, promotion and sponsorship

1.28.1 Parties recognize that a comprehensive ban on advertising, promotion and sponsorship would reduce the consumption of tobacco products.

1.28.2 Each Party shall, in accordance with its constitution or constitutional principles, undertake a comprehensive ban of all tobacco advertising, promotion and sponsorship. This shall include, subject to the legal environment and technical means available to that Party, a comprehensive ban on cross-border advertising, promotion and sponsorship originating from its territory. In this respect, within the period of five years after entry into force of this Convention for that Party, each Party shall undertake appropriate

legislative, executive, administrative and/or other measures and report accordingly in conformity with Article 21.

1.28.3 A Party that is not in a position to undertake a comprehensive ban due to its constitution or constitutional principles shall apply restrictions on all tobacco advertising, promotion and sponsorship. This shall include, subject to the legal environment and technical means available to that Party, restrictions or a comprehensive ban on advertising, promotion and sponsorship originating from its territory with cross-border effects. In this respect, each Party shall undertake appropriate legislative, executive, administrative and/or other measures and report accordingly in conformity with Article 21.

1.28.4 As a minimum, and in accordance with its constitution or constitutional principles, each Party shall:

- prohibit all forms of tobacco advertising, promotion and sponsorship that promote a tobacco product by any means that are false, misleading or deceptive or likely to create an erroneous impression about its characteristics, health effects, hazards or emissions;

- require that health or other appropriate warnings or messages accompany all tobacco advertising and, as appropriate, promotion and sponsorship;

- restrict the use of direct or indirect incentives that encourage the purchase of tobacco products by the public;

- require, if it does not have a comprehensive ban, the disclosure to relevant governmental authorities of expenditures by the tobacco industry on advertising, promotion and sponsorship not yet prohibited. Those authorities may decide to make those figures available, subject to national law, to the public and to the Conference of the Parties, pursuant to Article 21;

- undertake a comprehensive ban or, in the case of a Party that is not in a position to undertake a comprehensive ban due to its constitution or constitutional principles, restrict tobacco advertising, promotion and sponsorship on radio, television, print media and, as appropriate, other media, such as the internet, within a period of five years; and

- prohibit, or in the case of a Party that is not in a position to prohibit due to its constitution or constitutional principles restrict, tobacco sponsorship of international events, activities and/or participants therein.

1.28.5 Parties are encouraged to implement measures beyond the obligations set out in paragraph 4.

1.28.6 Parties shall cooperate in the development of technologies and other means necessary to facilitate the elimination of cross-border advertising.

1.28.7 Parties which have a ban on certain forms of tobacco advertising, promotion and sponsorship have the sovereign right to ban those forms of cross-border tobacco advertising, promotion and sponsorship entering their territory and to impose equal penalties as those applicable to domestic advertising, promotion and sponsorship originating from their territory in accordance with their national law. This paragraph does not endorse or approve of any particular penalty.

1.28.8 Parties shall consider the elaboration of a protocol setting out appropriate measures that require international collaboration for a comprehensive ban on cross-border advertising, promotion and sponsorship.

2.4.1 FCTC Guidelines

1.29 The FCTC provides that the COP shall propose guidelines for the implementation of the provisions of Articles 8 to 13 of the FCTC. FCTC Guidelines are "intended to assist the Parties in meeting their obligations and in increasing the effectiveness of measures adopted".

1.30 The FCTC COP adopted FCTC Guidelines for the Implementation of Article 11 (Article 11 FCTC Guidelines) and FCTC Guidelines for the Implementation of Article 13 (Article 13 FCTC

Guidelines) in November 2008. Although "plain packaging" is not referred to in Articles 11 and 13 of the FCTC, it is referred to in both of these Guidelines.

1.31 The Article 11 FCTC Guidelines, entitled "*Packaging and labelling of tobacco products*", provide:

> 46. Parties should consider adopting measures to restrict or prohibit the use of logos, colours, brand images or promotional information on packaging other than brand names and product names displayed in a standard colour and font style (plain packaging). This may increase the noticeability and effectiveness of health warnings and messages, prevent the package from detracting attention from them, and address industry package design techniques that may suggest that some products are less harmful than others.

1.32 The Article 13 FCTC Guidelines, entitled "*Tobacco advertising, promotion and sponsorship*", provide:

> 15. Packaging is an important element of advertising and promotion. Tobacco pack or product features are used in various ways to attract consumers, to promote products and to cultivate and promote brand identity, for example by using logos, colours, fonts, pictures, shapes and materials on or in packs or on individual cigarettes or other tobacco products.
>
> 16. The effect of advertising or promotion on packaging can be eliminated by requiring plain packaging: black and white or two other contrasting colours, as prescribed by national authorities; nothing other than a brand name, a product name and/or manufacturer's name, contact details and the quantity of product in the packaging, without any logos or other features apart from health warnings, tax stamps and other government-mandated information or markings; prescribed font style and size; and standardized shape, size and materials. There should be no advertising or promotion inside or attached to the package or on individual cigarettes or other tobacco products.
>
> 17. If plain packaging is not yet mandated, the restriction should cover as many as possible of the design features that make tobacco products more attractive to consumers such as animal or other figures, "fun" phrases, coloured cigarette papers, attractive smells, novelty or seasonal packs.
>
> ***Recommendation***
>
> Packaging and product design are important elements of advertising and promotion. Parties should consider adopting plain packaging requirements to eliminate the effects of advertising or promotion on packaging. Packaging, individual cigarettes or other tobacco products should carry no advertising or promotion, including design features that make products attractive.

FINDINGS

THIS EXCERPTED VERSIO SKIPS THE PANEL'S DETAILED REVIEW OF THE EVIDENCE. AFTER SUCH REVIEW, THE PANEL CONCLUDES:

In light of the [evidence], we are not persuaded that the complainants have demonstrated that the TPP measures would not be capable of increasing the effectiveness of GHWs, and thereby contribute to Australia's objective of improving public health by reducing the use of, and exposure to, tobacco products. Rather, we find that credible evidence has been presented, emanating from recognized sources, that plain packaging of tobacco products may increase the salience of GHWs, by making them easier to see, more noticeable, and perceived as more credible and more serious. We are not persuaded that the complainants have demonstrated that these effects could not arise in Australia by reason of the large size of the GHWs applied simultaneously with the TPP measures, or that existing levels of risk awareness in Australia would render inutile any additional effort to increase such awareness and thereby affect risk beliefs. We are also not persuaded, in light of the evidence before us, that GHWs that would be more visible and noticeable, and perceived as being more credible and more serious, could not be expected to have an impact on smoking behaviours, including initiation, cessation and relapse.

The TRIPS Agreement

Article 6*quinquies* of the Paris Convention (1967), as incorporated by Article 2.1 of the TRIPS Agreement

7.1734. Paragraph 1 of Article 2 of the TRIPS Agreement, entitled "Intellectual Property Conventions", reads as follows:

> In respect of Parts II, III and IV of this Agreement, Members shall comply with Articles 1 through 12, and Article 19, of the Paris Convention (1967).

7.1735. Article 6*quinquies* A(1) of the Paris Convention (1967) reads as follows:

> Every trademark duly registered in the country of origin shall be accepted for filing and protected as is in the other countries of the Union, subject to the reservations indicated in this Article. Such countries may, before proceeding to final registration, require the production of a certificate of registration in the country of origin, issued by the competent authority. No authentication shall be required for this certificate.

7.1736. Honduras and Cuba, by reference, claim that the TPP measures are inconsistent with Article 2.1 of the TRIPS Agreement in conjunction with Article 6*quinquies* of the Paris Convention (1967). More specifically, they claim that the TPP measures are inconsistent with Article 6*quinquies* because a trademark duly registered in the country of origin outside Australia is not protected "as is", i.e. in its original format.

7.1737. Australia asks the Panel to reject these claims in their entirety.

7.1759. Paragraph A(1) of Article 6*quinquies*, as incorporated into the TRIPS Agreement by means of a reference in its Article 2.1, thus requires Members of the WTO to accept for filing and to protect "as is" (or in the authentic French text, "*telle quelle*") every trademark duly registered in the country of origin, subject to reservations indicated in Article 6*quinquies*.

7.1760. As observed by the Appellate Body, the Paris Convention (1967) provides two ways in which a national of a country of the Paris Union may obtain registration of a trademark in a country of that Union other than the country of the applicant's origin: one is by registration under Article 6 of the Paris Convention (1967); and the other is by registration under Article 6*quinquies* of that same Convention.

7.1761. Article 6(1) states the general rule that each country of the Paris Union has the right to determine the conditions for filing and registration of trademarks in its domestic legislation. However, Article 6 is not the only way to register a trademark in another country. If an applicant has duly registered a trademark in its country of origin, "Article 6*quinquies* A(1) provides an alternative way of obtaining protection of that trademark in other countries of the Paris Union".

7.1762. The requirement under Article 6*quinquies* is for the relevant trademark to be "accepted for filing and protected as is" in the other countries of the Paris Union. The panel in *US – Section 211 Appropriations Act* found that "[t]he ordinary meaning of the term 'as is' and read in its context and as confirmed by the negotiating history indicates that Article 6*quinquies* A(1) addresses *the form of the trademark*; that is, those trademarks duly registered in one country, even when they do not comply with the provisions of domestic law of a Member concerning the permissible form of trademarks, have nevertheless to be accepted for filing and protection in another country". The Appellate Body upheld the panel's finding that "Section 211(a)(1) is not inconsistent with Article 2.1 of the *TRIPS Agreement* in conjunction with Article 6*quinquies* A(1) of the Paris Convention (1967)".

7.1763. As described in greater detail above, the TPP measures regulate the appearance of trademarks on tobacco retail packaging and products in various ways. In respect of retail packaging of tobacco products, the TPP measures permit the use of word marks that denote the brand, business or company name, or the name of the product variant, provided that they appear in the form prescribed by the TPP Regulations. They prohibit the use of stylized word marks, composite marks and figurative marks. In respect of tobacco products, the TPP measures prohibit.

7.1765. We note that the obligation that a Member has pursuant to Article 6*quinquies* A(1) is to "accept[] for filing and protect[] as is" every trademark duly registered in the country of origin. On the plain reading of the text, the obligation is to provide a way of obtaining trademark registration and the protection resulting from the registration. In our view, the text suggests that the term "protected" refers to the protection that flows from the registration of a sign as a trademark in that

jurisdiction where the registration is obtained pursuant to the requirements of Article 6*quinquies* A(1). We note that the term "protected" in Article 6*quinquies* A(1) in itself does not provide any guidance as to what the protection flowing from the registration under the domestic law should consist of. In particular, we do not find any support in the language of Article 6*quinquies* A(1) for a substantive minimum standard of rights that WTO Members would be obliged to make available to the owner of a trademark that has been registered pursuant to the requirements of Article 6*quinquies* A(1).

7.1766. This interpretation is supported by the immediate context of Article 6*quinquies* A(1). As described above, the Paris Convention (1967) provides two ways in which a national of a country of the Paris Union may obtain registration of a trademark in a country of that Union other than the country of the applicant's origin: by registration under Article 6 of the Paris Convention (1967) or by registration under Article 6*quinquies* of that same Convention. We also note that the obligation in the first sub-clause of Article 6*quinquies* A(1) is "subject to the reservations indicated in this Article". Article 6*quinquies* B provides various grounds on which a trademark covered by that Article can be "denied registration" or "invalidated". Paragraphs C to F of Article 6*quinquies* also deal with various aspects of registration, such as the renewal of registration and priority. None of these reservations concern rights conferred on the owner of a trademark that has been registered pursuant to Article 6*quinquies* A(1).

7.1768. Our interpretation is also consistent with the object and purpose of Articles 6 and 6*quinquies* A(1) of the Paris Convention (1967), which is to provide, and thus secure, two ways of obtaining registration of a trademark in a country of the Paris Union.

7.1769. We find this interpretation to be consistent also with Honduras's own overall description of the legal protection of trademarks under the TRIPS Agreement, in which context it submits that "a number of developed countries considered the WIPO system to be imperfect, because, *inter alia*, the WIPO-administered treaties did not establish substantive standards for the protection of intellectual property rights".

7.1774. We conclude that Honduras and Cuba have not demonstrated that, as a result of the TPP measures, Australia does not "accept[] for filing and protect[] as is" every trademark duly registered in the country of origin within the meaning of Article 6*quinquies* of the Paris Convention (1967). As regards the operation of the TPP Act, we note that, as explained in its Explanatory Memorandum, Section 28 of the TPP Act "preserves a trade mark owner's ability to protect a trade mark, and to register and maintain registration of a trade mark". We understand that the complainants are not claiming that, as a result of the TPP measures, a national of another WTO Member could not obtain registration of a trademark in Australia under the conditions determined by Article 6*quinquies*. As regards the meaning of the terms "protected as is", we recall our interpretation that these terms make explicit that Members must not only accept relevant trademarks from other Members for registration under the conditions determined by Article 6*quinquies*, but also must provide them the protection that flows from such registration under their domestic law. The complainants have not shown that a trademark registered in Australia pursuant to Article 6*quinquies* would not be "protected as is" within the meaning of Article 6*quinquies* A(1), namely that Australia would not provide such a trademark the protection that flows from the registration under its domestic law. We, consequently, also conclude that the TPP measures do not constitute a violation of Australia's obligations under Article 6*quinquies* A(1) to accept for filing and protect as is every trademark duly registered in the country of origin within the meaning of that provision on the grounds that they restrict the use of certain trademarks on tobacco retail packaging and products.

7.1775. In light of the above, we find that Honduras and Cuba have not demonstrated that the TPP measures are inconsistent with Australia's obligations under Article 2.1 of the TRIPS Agreement in conjunction with Article 6*quinquies* of the Paris Convention (1967).

Article 16.1 of the TRIPS Agreement

7.1915. Paragraph 1 of Article 16 of the TRIPS Agreement, entitled "Rights Conferred" reads as follows:

> The owner of a registered trademark shall have the exclusive right to prevent all third parties not having the owner's consent from using in the course of trade identical or similar signs for goods or services which are identical or similar to those in respect of which the trademark is registered where such use would result in a likelihood of confusion. In case of the use of an identical sign for identical goods or services, a likelihood of confusion shall be presumed. The rights described above shall not prejudice any existing prior rights, nor shall they affect the possibility of Members making rights available on the basis of use.

7.1916. The complainants claim that the TPP measures violate Article 16.1 because the prohibition on the use of certain tobacco-related trademarks reduces the distinctiveness of these trademarks, thus reducing the ability to demonstrate "a likelihood of confusion" with other marks, and impacting the ability of the right owner to exercise its right to prevent unauthorized use. Cuba, by reference, further argues that the TPP measures violate Article 16.1 by eroding the distinctiveness of non-inherently distinctive trademarks and thus making them liable to cancellation procedures. Indonesia, and Cuba by reference, also argue that the TPP measures violate Article 16.1 because they require the use of deceptively similar marks on identical products, thereby eroding a trademark owner's right to prevent use that is likely to result in confusion.

7.1917. Australia asks the Panel to reject these claims in their entirety.

Analysis by the Panel

7.1966. The complainants argue that a trademark owner's ability to demonstrate confusion in the market, and thus infringement, correlates with the degree of distinctiveness, or "strength" of the trademark which, they argue, is intrinsically linked to the trademark owner's ability to use it. According to the complainants, the TPP measures' prohibition of certain uses of certain tobacco-related trademarks results in a reduction in the trademarks' distinctiveness, eroding the trademark owners' ability to prevent third parties from using similar or identical marks on similar goods in a manner that creates a "likelihood of confusion". Honduras submits that Article 16 obliges Members to guarantee a minimum level of private rights to trademark owners that allows them to successfully protect the distinctiveness and source-indicating function of their marks in infringement proceedings. The Dominican Republic, Cuba, by reference, and Indonesia argue that Article 16.1 obliges Members to refrain from regulatory conduct that undermines or eliminates the distinctiveness essential to exercising trademark rights. Honduras, the Dominican Republic, and Indonesia submit that a trademark owner's interest in using the trademark is an important consideration with respect to claims under Article 16.1, but do not argue that Article 16.1 confers a "right to use". Cuba argues, by reference, that the principle of effective treaty interpretation requires Members to provide a minimum opportunity to use a trademark, as otherwise the minimum rights conferred by Article 16.1 are not guaranteed.

7.1967. In addition, Cuba, by reference, argues that the TPP measures eliminate protection required under Article 16.1 for those non-inherently distinctive trademarks that previously acquired distinctiveness by use. The prohibition of certain uses of certain tobacco-related trademarks will, according to Cuba, cause registered non-inherently distinctive signs to lose their distinctiveness and become subject to cancellation procedures.

7.1968. Finally, Indonesia, and Cuba, by reference, argue that by standardizing the appearance of tobacco packaging and products, the TPP measures require the use of deceptively "similar marks" on "identical products" while depriving owners of a remedy, thereby eroding a trademark owner's right under Article 16.1 to prevent use that is likely to result in confusion.

The scope of the obligation in Article 16.1

7.1971. The parties agree that the language in the first sentence of Article 16.1 formulates a trademark owner's "exclusive" right to prevent certain uses by third parties. According to the complainants, distinctiveness, and thus the scope of protection available under Article 16.1, is linked to use. By prohibiting the use of certain tobacco-related trademarks on tobacco packaging and tobacco products, the TPP measures, argue the complainants, erode their distinctiveness, constraining trademark owners' ability to exercise their rights under Article 16.1.

7.1972. This argument hinges on whether a reduction in the distinctiveness of a registered trademark affects the rights that Members must provide to the trademark owner under Article 16.1. We must therefore first determine the content of those rights, and then assess whether their exercise would be affected by a reduction in distinctiveness.

7.1974. Upon a plain reading of the text, the provision formulates an obligation on Members to provide to the owner of a registered trademark the right to "stop, or hinder" all those not having the owner's consent from using certain signs on certain goods or services, where such use would result in a likelihood of confusion. The text of the provision does not formulate any other right of the trademark owner, nor does it mention the use of the registered trademark by its owner.

7.1975. The panel in *EC – Trademarks and Geographical Indications (Australia)*, when interpreting the principles set out in Article 8 of the TRIPS Agreement, found that:

> These principles reflect the fact that the agreement does not generally provide for the grant of positive rights to exploit or use certain subject matter, but rather provides for the grant of negative rights to prevent certain acts. This fundamental feature of intellectual property protection inherently grants Members freedom to pursue legitimate public policy objectives since many measures to attain those public policy objectives lie outside the scope of intellectual property rights and do not require an exception under the TRIPS Agreement.

7.1976. With respect to Article 16.1, in particular, the panel found that:

> Article 16.1 of the TRIPS Agreement only provides for a negative right to prevent all third parties from using signs in certain circumstances.

7.1977. The Appellate Body in *US – Section 211 Appropriations Act* found, with respect to Article 16.1:

> As we read it, Article 16 confers on the *owner* of a registered trademark an internationally agreed minimum level of "exclusive rights" that all WTO Members must guarantee in their domestic legislation. These exclusive rights protect the owner against infringement of the registered trademark by unauthorized third parties.

7.1981. With these preliminary observations in mind, we now turn to the complainants' arguments in support of their claims that the TPP measures violate article 16.1.

7.1986. The Complainants argue that the TPP measures reduce the effective scope of the right in violation of Article 16.1 in two ways: first, the diminished distinctiveness of affected trademarks reduces the universe of signs that are considered "similar" to certain registered tobacco-related trademarks; and second, the diminished distinctiveness makes it more difficult for owners of certain registered tobacco-related trademarks to establish a "likelihood of confusion" than before the introduction of the measures. In other words, the complainants contend that under the TPP measures, the factual situation of trademark infringement set forth in the first sentence of Article 16.1, will occur less frequently and with respect to fewer signs than before, and that this constitutes a reduction of the trademark owner's right in violation of Article 16.1. We note therefore, for the sake of clarity, that the situation that the complainants describe as the basis for their claim is not so much a reduction in the *trademark owners' ability to demonstrate* a "likelihood of confusion", but rather a reduction of the instances in which "likelihood of confusion" would arise in the market with respect to tobacco-related trademarks whose use is affected by the TPP measures.

7.1992. An assessment of the "likelihood of confusion" in respect of a given trademark in a given situation is therefore a factual assessment that will involve a consideration of the specific circumstances at issue, including the manner in which the potential for confusion arises in the specific market at issue. Multiple factors may be involved in this assessment. Against this background, it is not self-evident how the operation of the TPP measures – which apply in an identical manner to all tobacco products – may affect the likelihood of confusion arising in respect of use of signs similar to the trademarks concerned for identical or similar goods (including those that are, themselves, subject to the requirements of the TPP measures), and how this would be assessed in a given instance.

7.1993. We are therefore not persuaded that the operation of the TPP measures would necessarily have the impact that the complainants allege on the existence of a "likelihood of confusion", or how this would be assessed in relation to a specific trademark. We note, in any event, that we will only need to examine the causality between the TPP measures and this claimed consequence if we find that such a result would indeed lead to a violation of Article 16.1. We will therefore begin our analysis with the second aspect of the argument, i.e. whether reducing the instances in which a trademark owner would be able to prevent the unauthorized use of similar or identical trademarks in the market, because such use is no longer likely to cause a "likelihood of confusion", leads to a violation of Article 16.1.

7.2011. The focus of the trademark owner's right conferred by Article 16.1 is on preventing use by third parties that results in a "likelihood of confusion" in the market. Its formulation reflects the purpose of Article 16, which is to enable action against actual infringements by third parties where the factual criteria of Article 16.1, first sentence, are fulfilled in a given market situation. Article 16.1 can therefore protect the source-identifying function of a registered trademark against specific infringing actions by third parties. It is not intended to protect that function against waning distinctiveness due to other reasons, such as changing market conditions, inaction of the right

owner, or changing consumer perception. The trademark owner's commercial interest in a market situation in which its registered trademark can be successfully used to stop as many signs as possible from being used on similar or identical goods or services, and the corresponding interest in using its trademark, including for the purpose of maintaining or further strengthening its distinctiveness, is not *a right* under Article 16.1. It is, however, recognized by the TRIPS Agreement as *a legitimate interest* that needs to be taken into account in considering the permissibility of domestic exceptions to the exclusive rights under Article 17.

7.2025. While the TRIPS Agreement recognizes the right owner's legitimate interest in using the registered trademark we note that the legal operation of the "right to prevent" in Article 16.1 does not *per se* require use of the registered trademark itself. Article 16.1, second sentence, facilitates the application of this right – independently of use to buttress the distinctiveness of the registered mark – by establishing a presumption of likelihood of confusion in cases of so-called double identity, i.e. the use of identical signs on identical goods or services. Other TRIPS provisions permit Members to require use of the registered trademark as a condition of maintaining registration, but this is not an obligation, and the requirement is conditioned on permitting a certain period of non-use before cancellation. This means that, even where Members have chosen to require use to maintain trademark registration, the rights under Article 16.1 must be available in the absence of use for a certain period of time. Article 19.1 further recognizes that Members cannot cancel trademark registrations on the grounds of non-use beyond this period if there are "valid reasons based on the existence of obstacles to such use".

7.2026. The above assessment indicates, in our view, that while use of the registered trademark may be the typical scenario anticipated by the TRIPS provisions, an absence of such use does not render the right to exclude provided by Article 16.1 "legally inoperative" or redundant. As described above, the purpose of Article 16.1 is to provide the essential means for owners of registered – and thus already distinctive – trademarks to prevent infringement by unauthorized third parties. While preventing such infringements may also help defend the distinctiveness of the registered trademark, we do not agree with Cuba's claim that the right provided in Article 16.1 has as its "very substance" a general responsibility to maintain distinctiveness of the trademark. Considering that trademark distinctiveness varies according to a variety of market factors – including those beyond the control of Members' governments or trademark owners – it is not plausible to assume that Members would have taken on such a general responsibility.

7.2051. In light of the above, we conclude that the complainants have not demonstrated that the TPP measures are inconsistent with Australia's obligations under Article 16.1 of the TRIPS Agreement.

Article 20 of the TRIPS Agreement

7.2131. We will now turn to the complainants' claims under Article 20 of the TRIPS Agreement, entitled "Other Requirements". It reads as follows:

> 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. This will not preclude a requirement prescribing the use of the trademark identifying the undertaking producing the goods or services along with, but without linking it to, the trademark distinguishing the specific goods or services in question of that undertaking.

7.2132. Honduras, the Dominican Republic, Cuba, and Indonesia claim that the TPP measures are inconsistent with Article 20 because they impose "special requirements", which "encumber" the "use" of trademarks "in the course of trade"; furthermore, such use is encumbered "unjustifiably".

7.2133. Australia asks the Panel to reject these claims in their entirety.

7.2155. We read the two sentences of Article 20 as expressing a single obligation. The core of this obligation is expressed in its first sentence, which disallows special requirements that "unjustifiably encumber" the use of a trademark in the course of trade. This obligation is qualified by the second sentence, which identifies a type of requirement that is to be considered permissible.

7.2156. On a plain reading of its terms, the following elements would need to be established in order to find a violation of the core obligation contained in the first sentence of Article 20:

a. the existence of "special requirements";

b. that such special requirements "encumber" "[t]he use of a trademark in the course of trade"; and

c. that they do so "unjustifiably".

7.2158. In line with the practice of various international tribunals, the Appellate Body has endorsed the principle that the party asserting a fact, whether complainant or respondent, is responsible for providing proof thereof. The burden of proof rests upon the party, whether complaining or defending, who asserts the affirmative of a particular claim or defence. Likewise, the party invoking, in its defence, a provision that is an exception to the allegedly violated obligation (i.e. the respondent) bears the burden of proving that the conditions set out in the exception are met.

7.2159. As regards the required level of proof, the Appellate Body has clarified that the party bearing the burden of proof must put forward evidence sufficient to make a *prima facie* case that what is claimed is true. For the Appellate Body, a *prima facie* case is "one which, in the absence of effective refutation by the defending party, requires a panel, as a matter of law, to rule in favour of the complaining party presenting the *prima facie* case". Once that *prima facie* case is made, the onus shifts to the other party, which will fail unless it submits sufficient evidence to disprove the claim, thus rebutting the presumption. A panel's task therefore will be to consider all evidence on record and decide whether the complainant, as the party bearing the burden of proof, has convinced it of the validity of its claims to the point of establishing a *prima facie* case, and whether the respondent has sufficiently rebutted such a *prima facie* case.

7.2160. Precisely how much and what kind of evidence will be required to establish a presumption that what is claimed is true (i.e. what is required to establish a *prima facie* case) varies from measure to measure, provision to provision, and case to case. The Appellate Body has explained that "[a] *prima facie* case must be based on 'evidence *and* legal argument' put forward by the complaining party in relation to *each* of the elements of the claim". This means that a "complaining party may not simply submit evidence and expect the panel to divine from it a claim of WTO-inconsistency. Nor may a complaining party simply allege facts without relating them to its legal arguments."

7.2161. In line with these general principles of burden of proof, the parties agree that it is for the complainants to make a *prima facie* case that the TPP measures amount to special requirements that encumber the use of trademarks in the course of trade within the meaning of Article 20.

7.2162. However, the parties disagree as to which party bears the burden of proof in respect of whether such use is encumbered "unjustifiably". The complainants take the view that, once they have established that the TPP measures amount to special requirements that encumber the use of trademarks in the course of trade within the meaning of Article 20, the burden of proof shifts to the respondent to show that the encumbrance is justifiable. The Dominican Republic and Indonesia consider that Article 20 establishes a general prohibition against encumbrances on the use of a trademark, which is then subject to an exception through the use of the term "unjustifiably". The Dominican Republic argues that this follows from the grammatical structure of the language in Article 20, which provides "shall not be ... encumbered". The Dominican Republic further argues that the "prohibitive aspect" of Article 20 establishes a "presumption" in favour of unencumbered use of a trademark, triggering an obligation to ensure that any encumbrance is justifiable. In a similar vein, Honduras argues that, if a Member wishes to change the "default situation of unimpeded use", it is incumbent upon it to ensure that this encumbrance is justifiable.

7.2163. We are not persuaded that the language of Article 20 implies that the burden should shift to the respondent to demonstrate the "justifiability" of encumbrances falling within the scope of this provision. We do not find any indication in the text, including its grammatical structure, for the existence of a "presumption" or "default situation" of unencumbered use, or for the existence of a "prohibition" and "exception" relationship between a principle of unencumbered use and an

exception for "justifiable" encumbrances, as suggested by the complainants.

7.2164. Article 20, on its face, does not prohibit as a matter of principle all measures that impose encumbrances upon the use of a trademark in the course of trade. Rather, it disallows only those special requirements that "unjustifiably encumber" the use of a trademark in the course of trade. The structure of the first sentence of Article 20 suggests that it establishes a single obligation, rather than an obligation and exception thereto: "[t]he use of a trademark in the course of trade shall not be unjustifiably encumbered by special requirements". Had the drafters intended to establish a general prohibition on encumbrances and an exception for justifiable ones, it seems to us that they could have, for example, drafted the obligation as follows: the use of a trademark in the course of trade shall not be encumbered by special requirements, unless such encumbrance is justifiable. The commitment that Members have undertaken under the terms of Article 20 is thus to not "unjustifiably encumber[] by special requirements" the use of a trademark in the course of trade. The second part of the sentence, introduced by the term "such as", identifies three examples of specific situations covered by this provision, namely "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".

Meaning of the terms "special requirements" and "encumbered" in Article 20

7.2222. The term "requirement" refers to "[s]omething called for or demanded; a condition which must be complied with". This term has been interpreted in the context of various other covered agreements. For instance, in the context of an analysis of Annex A(1) of the SPS Agreement, the panel in *EC – Approval and Marketing of Biotech Products* "note[d] that the term 'requirements' is broad in scope": "[f]or instance, both an authorization to market a particular product and a ban on the marketing of a particular product may be considered 'requirements', in that one is effectively a requirement to permit the marketing of a product and the other a requirement to ban the marketing of a product." We agree with that panel that the plain meaning of the term "requirement" does not imply permitting a certain action or behaviour, to the exclusion of banning or prohibiting certain actions. We now consider the specific context in which the term is used.

7.2223. In Article 20, the specific object of the term "requirements" is the "use of a trademark in the course of trade". The term "requirements" is qualified by the adjective "special". The use of the term "special" suggests two relevant connotations. The first is "[h]aving a close or exclusive connection with a specified person, thing, or set; own, particular, individual"; "specific, individual, or particular to the specified person, thing, or set"; or "[h]aving an individual, particular, or limited application, object, or intention; affecting or concerning a single person, thing, group". The second connotation relates to being "[e]xceptional in quality or degree; unusual; out of the ordinary". All parties refer to the panel report in *US – Section 110(5) Copyright Act*, where the panel considered the meaning of "special cases" in Article 13 of the TRIPS Agreement, which relates to limitations and exceptions to exclusive rights in relation to copyright. The panel explained in that context that "[t]he term 'special' connotes 'having an individual or limited application or purpose', 'containing details; precise, specific', 'exceptional in quality or degree; unusual; out of the ordinary' or 'distinctive in some way'".

7.2224. In our view, it follows from the ordinary meaning of "special" that the relevant "requirements" under Article 20 are limited in application. The "requirements" referred to must have "a close or exclusive connection" with their specific object, namely, in the context of Article 20, the "use of a trademark in the course of trade".

7.2225. Australia argues that if domestic law prohibits the "use" of certain trademarks altogether, then those trademarks are not being "use[d] ... in the course of trade" and Article 20 is therefore not engaged. In support of its position, Australia points out that each of the examples of a "special requirement" contained in the first and second sentences of Article 20 refers to how a trademark may be used when it is used, not to whether it can be used. The three specific situations identified in the first sentence are the following: use with another trademark; use in a special form; and use in a manner detrimental to its capability to distinguish the goods or services of one undertaking from those of other undertakings. The second sentence refers to the use of the trademark identifying the undertaking producing the goods or services along with, but without linking it to, the trademark distinguishing the specific goods or services in question of that undertaking, which is not precluded.

7.2226. The examples introduced by "such as" in the first sentence of Article 20 may assist our understanding of the scope of Article 20, insofar as they illustrate situations in which special requirements are imposed in relation to the use of trademarks in the course of trade that fall within the scope of Article 20. We note that the term "such as" is placed immediately after the term "special requirements", indicating that the enumeration that follows identifies examples of "special requirements". While these three examples appear to relate, on their face, to situations

in which a trademark may be used, with certain conditions, this list, preceded by the term "such as", is illustrative. In our view, therefore, it does not imply that other types of requirements, including a requirement amounting to a *prohibition* on use, would be precluded from falling within the scope of Article 20.

7.2227. Similarly, the fact that the second sentence of Article 20 expressly identifies a specific situation, unrelated to a prohibition on the use of a trademark, as being "not precluded" carries no implication, in our view, that situations in which the use of a trademark *is* entirely prevented would not be covered by the terms of the first sentence.

7.2231. The elements above suggest that the term "special requirements" refers to a condition that must be complied with, has a close connection with or specifically addresses the "use of a trademark in the course of trade", and is limited in application. This may include a requirement not to do something, in particular a prohibition on using a trademark.

7.2232. For the
7.2241. As noted, all parties agree that the TPP measures impose "special requirements" with respect to word marks, to the extent that they permit the use of word marks but require that these appear in the form prescribed by the TPP Regulations. These requirements have a connection with, and affect, the use of trademarks by expressly permitting their use only in a prescribed manner. The measures must be complied with and are limited in their application to the use of trademarks on tobacco products and their packaging. We find, therefore, that the requirements of the TPP measures permitting the use of word marks on tobacco retail packaging and on cigars only in the prescribed form constitute "special requirements" within the meaning of Article 20. We also note that these requirements, which prescribe the use of a word mark without any stylized elements and in a single standard font and colour, constitute "use in a special form" within the meaning of the second example of the illustrative list in the first sentence of Article 20, bearing in mind that use of a word mark generally includes use in a wide range of possible fonts, sizes, colours and placement.

7.2242. It is also not in dispute that these requirements "encumber" the use of the affected trademarks, in that they restrict the manner in which the trademarks at issue may be displayed on the relevant products and their packaging. We therefore agree with the parties that these measures affecting word marks amount to "special requirements" that "encumber" the use of trademarks.

7.2243. In our view, the prohibition on the use of stylized word marks, composite marks and figurative marks on tobacco retail packaging and products under the TPP measures also amounts to "special requirements". This prohibition must be complied with, has a close connection with and specifically addresses the use of trademarks, and is limited in application to the use of trademarks on tobacco retail packaging and products. We also note that, as regards a stylized word mark or a composite mark, these requirements only permit the use of the brand, business or company name, or the name of the product variant, which is part of that mark, and thus require "use in a special form" within the meaning of the second example of the illustrative list in the first sentence of Article 20.

7.2244. These special requirements on the use of stylized word marks, composite marks and figurative marks also "encumber" the "use" of the relevant trademarks, in that they expressly disallow, and thereby hinder and obstruct, such use on tobacco products and packaging.

7.2245. In light of the above, we find that the TPP measures, to the extent they restrict the use of word marks to certain forms prescribed by the TPP Regulations and prohibit the use of stylized word marks, composite marks, and figurative marks in the specified situations, amount to "special requirements" that "encumber" the use of a trademark within the meaning of Article 20. These determinations are without prejudice to the question of whether these special requirements encumber use "in the course of trade", or do so "unjustifiably".

Whether the special requirements in the TPP measures encumber the "use of a trademark" "in the course of trade"

7.2246. The complainants argue that the trademark-related requirements in the TPP measures encumber the use of trademarks "in the course of trade" within the meaning of Article 20. Australia considers that they do not. The divergent views of the parties in this respect are based importantly on their different interpretation of the term "in the course of trade" and their different understanding of what constitutes relevant "use" of a trademark for the purposes of Article 20.

7.2247. We therefore consider first the meaning of the term "in the course of trade", and what

may be considered relevant "use" of a trademark under Article 20, before turning to a consideration of whether the TPP measures encumber "the use of a trademark in the course of trade".

7.2261. The ordinary meaning of the term "trade" refers to "[t]he action of buying and selling goods and services". The phrase "in the course of" means "in the process of, during the progress of". In our view, taking these terms in aggregate, the phrase "in the course of trade" is not, on its face, limited to "trade" in the sense of "buying and selling" but more broadly covers the process relating to commercial activities. The corresponding French phrase "au cours d'opérations commerciales" and Spanish phrase "el curso de operaciones comerciales" also connote a meaning that more broadly relates to commercial activities.

7.2262. We note that the phrase "in the course of trade" is used, in addition to Article 20, in two other provisions of the TRIPS Agreement that are the subject of separate claims in these proceedings, namely Article 16.1 of the TRIPS Agreement and Article 10*bis*(3)(3) of the Paris Convention (1967), as well as Article 24.8 of the TRIPS Agreement and Article 10*bis*(3)(2) of the Paris Convention (1967). The Appellate Body emphasized in *Korea – Dairy* that, "[i]n light of the interpretive principle of effectiveness, it is the *duty* of any treaty interpreter to 'read all applicable provisions of a treaty in a way that gives meaning to *all* of them, harmoniously'." Harmonious interpretation requires that same or similar terms in different provisions of the same agreement should be presumed to have the same or similar meaning, much as the use of different terms creates a presumption that the terms were intended to have a different meaning. We note that none of these other provisions define the notion of "course of trade" with specific reference to the "point of sale" or distinguish between "pre-" and "post-sale" situations for this purpose.

7.2263. This implies that at least some commercial activities taking place after the retail sale are covered by the phrase "in the course of trade". In fact, both the complainants and Australia have referred to certain commercial functions that trademarks continue to serve after the completion of the act of sale. The Dominican Republic emphasizes that the trademark continues to provide commercial information about the quality, characteristics, and reputation of the product to the consumer, and perform a differentiating function, after the sale has occurred. Australia asserts that it is well established that, in addition to distinguishing the goods of one undertaking from those of another in the course of trade, trademarks serve an advertising function, which may continue after the completion of the sale. We see no reason to assume that such commercial functions that trademarks may continue to serve after the retail sale would fall outside the scope of commercial activities covered by the phrase "in the course of trade".

7.2264. In light of the above, we do not find support in the language of Article 20 or its context for the assertion that "in the course of trade" culminates or terminates at the point of sale.

The relevant "use of a trademark"

7.2279. The question before us is whether the relevant "use" of a trademark in the course of trade for the purposes of Article 20 is limited, as Australia argues, to its use for the purpose of distinguishing the goods or services of one undertaking from those of other undertakings.

7.2280. Under Article 20, Members have undertaken not to unjustifiably encumber by special requirements the "use" of a trademark in the course of trade. On its face, this language is very general and does not qualify the nature of relevant "use" or otherwise circumscribe this obligation in terms of any particular uses, i.e. any particular ways in which the trademark holder might wish to use the trademark, other than such use being "in the course of trade".

7.2281. We note that one of the three examples of special requirements identified expressly in Article 20 is "use [of a trademark] in a manner detrimental to its capability to distinguish the goods or services of one undertaking from those of other undertakings". This reference makes clear that a special requirement to use a trademark in a manner detrimental to its "distinguishing" function would fall within the purview of Article 20. However, as described above, this is one of three examples of situations in which "use ... in the course of trade" would be encumbered. If anything, therefore, this reference (introduced by the term "or") makes clear that a requirement to use a trademark "in a manner detrimental to its capability to distinguish the goods or services of one undertaking from those of another" is *not* a *sine qua non* condition for a finding that "use ... in the course of trade" is being encumbered within the meaning of Article 20. While the existence of such detrimental impact may therefore provide an important indication of the existence of an encumbrance, this is not a necessary condition for such a finding.

7.2282. The language of Article 20 therefore does not support a finding that the relevant "use" to be taken into consideration under Article 20 would be limited to the use of a trademark for the specific purpose of distinguishing the goods or services of one undertaking from those of other

undertakings.

7.2286. We find that the relevant "use" for the purposes of Article 20 is not limited to the use of a trademark for the specific purpose of distinguishing the goods and services of one undertaking from those of other undertakings.

7.2292. In light of the above, we find that the trademark requirements of the TPP measures amount to special requirements that encumber "the use of a trademark in the course of trade".

Whether the TPP measures "unjustifiably" encumber the use of trademarks in the course of trade

7.2395. The term "unjustifiably" therefore refers to the ability to provide a "justification" or "good reason" for the relevant action or situation that is reasonable in the sense that it provides sufficient support for that action or situation. In Article 20, the term "unjustifiably" qualifies the verb "encumbered". The above definitions therefore suggest that the term "unjustifiably", as used in Article 20, connotes a situation where the use of a trademark is encumbered by special requirements in a manner that lacks a justification or reason that is sufficient to support the resulting encumbrance.

7.2396. This in turn implies that there may be circumstances in which good reasons exist that sufficiently support the application of encumbrances on the use of a trademark in a reasonable manner. We will now consider the types of reasons that may provide the basis for such encumbrances.

7.2397. Article 20 does not expressly identify the types of reasons that may form the basis for the "justifiability" of an encumbrance. We find useful general guidance in this respect in the context provided by other provisions of the TRIPS Agreement.

7.2398. We first note that the first recital of the preamble to the TRIPS Agreement expresses a key objective of the TRIPS Agreement, namely to "reduce distortions and impediments to international trade" and takes into account the need, on one hand, "to promote effective and adequate protection of intellectual property rights" and, on the other, "to ensure that measures and procedures to enforce intellectual property rights do not themselves become barriers to legitimate trade".

7.2399. We also consider that Article 7 entitled "Objectives" and Article 8 entitled "Principles" provide relevant context.

7.2400. Article 7, entitled "Objectives", provides that:

> The protection and enforcement of intellectual property rights should contribute to the promotion of technological innovation and to the transfer and dissemination of technology, to the mutual advantage of producers and users of technological knowledge and in a manner conducive to social and economic welfare, and to a balance of rights and obligations.

7.2401. Article 8, entitled "Principles", provides in its first paragraph that:

> 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.

7.2402. Articles 7 and 8, together with the preamble of the TRIPS Agreement, set out general goals and principles underlying the TRIPS Agreement, which are to be borne in mind when specific provisions of the Agreement are being interpreted in their context and in light of the object and purpose of the Agreement. As the panel in *Canada – Pharmaceutical Patents* observed in interpreting the terms of Article 30 of the TRIPS Agreement, "[b]oth the goals and the limitations stated in Articles 7 and 8.1 must obviously be borne in mind when doing so as well as those of other provisions of the TRIPS Agreement which indicate its object and purposes".

7.2403. Article 7 reflects the intention of establishing and maintaining a balance between the societal objectives mentioned therein. Article 8.1, for its part, makes clear that the provisions of the TRIPS Agreement are not intended to prevent the adoption, by Members, of laws and regulations pursuing certain legitimate objectives, specifically, measures "necessary to protect public health and nutrition" and "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 the Agreement.

7.2404. Article 8 offers, in our view, useful contextual guidance for the interpretation of the term "unjustifiably" in Article 20. Specifically, the principles reflected in Article 8.1 express the intention of drafters of the TRIPS Agreement to preserve the ability for WTO Members to pursue certain legitimate societal interests, at the same time as it confirms their recognition that certain measures adopted by WTO Members for such purposes may have an impact on IP rights, and requires that such measures be "consistent with the provisions of the [TRIPS] Agreement".

7.2405. Read against this broader context, we understand the requirement under Article 20 that the use of trademarks in the course of trade not be "unjustifiably" encumbered as reflecting a recognition that there may be legitimate reasons for which a Member may encumber such use. The term "unjustifiably" defines, in the specific context of encumbrances in respect of the use of trademarks, the applicable standard for the permissibility of such encumbrances.

7.2406. The specific objectives expressly identified in Article 8.1 do not, in our view, necessarily exhaust the scope of what may constitute a valid basis for the "justifiability" of encumbrances on the use of trademarks under Article 20. However, their identification in Article 8.1 may shed light on the types of recognized "societal interests" that may provide a basis for the justification of measures under the specific terms of Article 20, and unquestionably identify public health as such a recognized societal interest.

7.2412. The parties have discussed extensively the implications of the use of the term "unjustifiably" in Article 20 on the nature and extent of the relationship that must exist between, on one hand, encumbrances on the use of trademarks resulting from the special requirements at issue and, on the other, the reasons for which these special requirements were adopted, or, in other words, how it should be determined whether these reasons are sufficient to support, and provide a justification for, the encumbrance resulting from the special requirements.

7.2413. In addition to seeking to establish the ordinary meaning of the term "unjustifiably" in Article 20, the parties have sought guidance in this respect from the interpretation of the term "unjustifiable" in other provisions of the covered agreements, or by contrasting the term "unjustifiably" to the terms "unnecessarily" or "necessary" and related terms in other provisions of the covered agreements.

7.2415. We consider that we must discern the proper meaning of the term "unjustifiably" as it is used in Article 20, rather than determine its meaning primarily in opposition to any other term. At the same time, we also consider that the use of identical or different terms in different provisions of the covered agreements may provide relevant context and shed light on the meaning to be given to each of them in their respective contexts. Thus, the use of different terms within a covered agreement has been interpreted as implying a deliberate choice designed to convey different meanings:

> The implication arises that the choice and use of different words in different places in the *SPS Agreement* are deliberate, and that the different words are designed to convey different meanings. A treaty interpreter is not entitled to assume that such usage was merely inadvertent on the part of the Members who negotiated and wrote that Agreement.

7.2416. Conversely, the use of the same term in different contexts does not necessarily imply a complete identity of meanings. The Appellate Body has thus found that the word "necessary" "refers to a range of degrees of necessity, depending on the context in which it is used".

7.2417. The Appellate Body has also underlined the importance of giving meaning to the use of different terms, in various paragraphs of Article XX of the GATT 1994, to express "the degree of connection or relationship between the measure under appraisal and the state interest or policy sought to be promoted or realized":

> Applying the basic principle of interpretation that the words of a treaty, like the *General Agreement*, are to be given their ordinary meaning, in their context and in the light of the treaty's object and purpose, the Appellate Body observes that the Panel Report failed to take adequate account of the words actually used by Article XX in its several paragraphs. In enumerating the various categories of governmental acts, laws or regulations which WTO Members may carry out or promulgate in pursuit of differing legitimate state policies or interests outside the realm of trade liberalization, Article XX uses different terms in respect of different categories:

> "necessary" - in paragraphs (a), (b) and (d); "essential" - in paragraph (j);
>
> "relating to" - in paragraphs (c), (e) and (g); "for the protection of" - in paragraph (f);
>
> "in pursuance of" - in paragraph (h); and "involving" - in paragraph (i).
>
> It does not seem reasonable to suppose that the WTO Members intended to require, in respect of each and every category, the same kind or degree of connection or relationship between the measure under appraisal and the state interest or policy sought to be promoted or realized.

7.2418. In Article 20 of the TRIPS Agreement, the "kind or degree of connection or relationship between the measure under appraisal and the state interest or policy sought to be promoted or realized", as the Appellate Body puts it, is expressed through the use of the term "unjustifiably". That is, WTO Members have determined, in respect specifically of special requirements that encumber the use of trademarks, that such special requirements must not "unjustifiably" encumber such use.

7.2419. We note that the term "necessary", by contrast, is used in a number of other provisions of the TRIPS Agreement, namely in Articles 3.2, 8.1, 27.2, 39.3, 43.2, 50.5 and 73(b), as well asArticle 11(3) of the Paris Convention (1967) and Article 17 of the Berne Convention (1971) as incorporated by reference into the TRIPS Agreement. The term is also used in paragraphs 1 and 3 of Article 31*bis* of the TRIPS Agreement, as well as in paragraphs 1(a) and 2(b)(i) of the Annex to the TRIPS Agreement. The term "unnecessarily" is used in Article 41.2 of the TRIPS Agreement. In our view, this context supports the implication of a deliberate choice of a distinct term "unjustifiably" in Article 20. We do not consider, therefore, that the term "unjustifiably" in Article 20 of the TRIPS Agreement should be assumed to be synonymous with "unnecessarily".

7.2422. We do not find support for the notion that, in the context of Article 20 of the TRIPS Agreement, the term "unjustifiably" should be understood to require *only* the existence of some rational connection between encumbrances imposed on the use of a trademark and the reason for which they are imposed. As discussed above, the use of the term "unjustifiably" conveys a requirement that encumbrances on the use of a trademark resulting from special requirements be capable of being explained, and that a justification or reason should exist that sufficiently supports the encumbrance resulting from the action or measure at issue. To that extent, we agree that in both provisions, this term reflects an expectation of some degree of "rational connection" between the action to be explained (in Article XX of the GATT 1994, discrimination, and in Article 20 of the TRIPS Agreement, an encumbrance on the use of a trademark) and the reasons for its adoption. However, this does not imply, in our view, that the existence of *any* rational connection, no matter how tenuous, would always sufficiently support the imposition of such encumbrance permissible under Article 20.

7.2423. We must take due account also of the action that is to be justified, i.e. the encumbrance on the use of a trademark in the course of trade resulting from the special requirements.

7.2429. Overall, therefore, as we understand it, Article 20 reflects the balance intended by the drafters of the TRIPS Agreement between the existence of a legitimate interest of trademark owners in using their trademarks in the marketplace, and the right of WTO Members to adopt measures for the protection of certain societal interests that may adversely affect such use.

7.2430. In light of the above, we find that a determination of whether the use of a trademark in the course of trade is being "unjustifiably" encumbered by special requirements should involve a consideration of the following factors:

a. the nature and extent of the encumbrance resulting from the special requirements, bearing in mind the legitimate interest of the trademark owner in using its trademark in the course of trade and thereby allowing the trademark to fulfil its intended function;

b. the reasons for which the special requirements are applied, including any societal interests they are intended to safeguard; and

c. whether these reasons provide sufficient support for the resulting encumbrance.

7.2435. We now take up each of these claims in turn.

The extreme nature of the encumbrance

7.2441. We note that, under the terms of Article 20, Members have committed not to "unjustifiably encumber[] by special requirements" the use of a trademark in the course of trade. The language used in that provision does not disallow any particular type of "special requirements". Rather, it makes the adoption of such requirements subject to the condition that they do not "unjustifiably encumber[]" the use of trademarks. A consideration of whether the use of a trademark is "unjustifiably encumbered" will normally involve a consideration of various elements, including the nature and extent of the encumbrance arising from the special requirements at issue, the reasons for which these requirements are applied, and whether these reasons sufficiently support them. While a prohibition on use of a trademark by nature involves a high degree of encumbrance on such use, we see no basis for assuming that a particular threshold or degree of encumbrance would be inherently "unjustifiable" under this provision. Rather, we consider that this must in all cases be assessed in light of the circumstances in accordance with the standard of review that we have identified above.

7.2442. We therefore conclude that special requirements that involve a high degree of encumbrance, such as those in the TPP measures that prohibit the use of stylized word marks,

Whether the unjustifiability of requirements should be assessed in respect of individual trademarks and features

7.2492. The question before us here is whether Article 20 requires the "unjustifiability" of any "special requirements" imposed on the use of trademarks to be assessed, in all cases, in relation to each individual trademark and its specific features and whether, as a result, the encumbrances imposed by the TPP measures are *per se* "unjustifiable" in that they do not involve such an individual assessment but rather apply to all trademarks on tobacco products without distinction.

7.2493. In accordance with the applicable rules of interpretation, we first consider the text of Article 20. We note that this text, both in its first and second sentences, is silent on whether any special requirements it refers to concern the use of individual trademarks or a class of trademarks, or use of trademarks in particular situations. The text merely provides that such special requirements shall not unjustifiably encumber the use of "a trademark" in the course of trade.

7.2495. Many provisions of the TRIPS Agreement setting out minimum rights and permissible exceptions similarly use the singular form to establish the general level of protection that applies to all protected subject-matter. For example, certain provisions that determine the scope for permissible exceptions to the rights granted to right holders under the respective sections of Part II of the Agreement also use the singular form: Article 13, which is applicable to copyright, refers to "the work" and "the right holder"; Article 17, applicable to trademarks, refers to "a trademark"; and Article 30, applicable to patents, refers to "a patent". Previous panels have applied those provisions to measures that affected a range of protected subject-matter rather than individual works, trademarks or patents, suggesting that the use of the singular was not considered material in delineating the consistency of those domestic measures with the provisions in question. In *US – Section 110(5) Copyright Act*, the panel found that certain domestic limitations to the rights to communicate works to the public met the requirements of Article 13 of the TRIPS Agreement and thus were consistent with Articles 11*bis*(1)(iii) and 11(1)(ii) of the Berne Convention (1971) as incorporated into the TRIPS Agreement by Article 9.1 of that Agreement.[5109] In *EC – Trademarks and Geographical Indications*, the panel found a domestic regulation that provided a particular regime of coexistence between GIs and prior trademarks to be inconsistent with Article 16.1 of the TRIPS Agreement but justified by Article 17. In *Canada – Pharmaceutical Patents*, the panel found that a domestic exception to exclusive rights allowing the production of patented inventions for the purposes of regulatory review satisfied the conditions of Article 30, and thus was not inconsistent with Article 28.1 of the TRIPS Agreement.

7.2496. In light of the above, we do not find support in the text or immediate context of Article 20 for the complainants' assertion that special requirements that encumber the use of trademarks could only be "justifiable" on the basis of an assessment of individual trademarks and their specific features.

7.2497. The complainants emphasize that trademarks are acquired, registered, maintained, invalidated and enforced on an individual basis. Australia agrees, but responds that this is a consequence of the fact that trademarks must be distinctive and it does not follow that any special requirements upon the use of trademarks must similarly be formulated and justified in respect of each individual trademark.

7.2498. We note that the definition in Article 15.1 of the TRIPS Agreement of what can constitute a trademark refers to any sign, or any combination of signs, that is "capable of distinguishing the goods or services of one undertaking from those of other undertakings". We agree with the complainants that it is in the nature of trademark protection that decisions on eligibility for protection, registration and invalidation are taken in respect of individual trademarks. This is reflected in Article 15, as well as under Articles 6 and 6*quinquies* of the Paris Convention (1967). The enforcement of the rights conferred under Article 16.1 of the TRIPS Agreement requires a consideration of whether a third party's use of a sign that is identical or similar to a registered trademark is likely to cause confusion. This assessment by its very nature involves comparing the third-party sign and the registered trademark in question. However, it does not follow from this, in our view, that special requirements under Article 20 would always need to be formulated and assessed in respect of individual trademarks, not least because these requirements govern the use of trademarks and have no bearing on their eligibility for registration nor on specific decisions whether to register an individual trademark. Similarly, we see no basis for transposing the rules on the *registration or invalidation* of individual trademarks applicable in the situations covered under Article 6*quinquies*, to the interpretation of Article 20, which does not relate to the registration or invalidation of trademarks but to their use.

7.2499. Any special requirements on the *use* of trademarks, rather, should be considered under the terms of Article 20. As we have already noted, the obligation under Article 20 is that such requirements shall not be imposed "unjustifiably". This text is silent on whether such requirements concern the use of individual trademarks, a class of trademarks, or use of trademarks in particular situations. We see no reason to assume that WTO Members may not choose to address the use of trademarks in a general manner, within the constraints of Article 20 and other relevant provisions of the TRIPS Agreement.

7.2505. In light of the above, we find that Article 20 does not require the unjustifiability of special requirements under Article 20 to be in all cases assessed by a Member in respect of individual trademarks and their specific features. The extent to which an assessment of the unjustifiability of specific encumbrances will require an assessment on the basis of individual trademarks and their specific features will depend on the circumstances of the case. In particular, when a Member applies such requirements to a class of trademarks or to some specific types of situations rather than to the specific features of particular trademarks, an assessment of unjustifiability of such requirements may need to focus on their overall rationale as it relates to the reason for adopting them.

7.2506. This interpretation is confirmed, in our view, by the negotiating history of Article 20, which provides some indication of the types of measures that Article 20 was designed to address. The first two examples in the illustrative list, namely "use with another trademark" and "use in a special form" already appeared in early proposals of GATT Contracting Parties. One such proposal included examples of the relevant policies applied by a number of countries at that time, namely the requirement to display the generic name on a drug in conjunction with a brand name, and the use of a foreign trademark in conjunction with a domestic trademark. Both practices concern policies applied to entire categories of trademarks.

7.2508. In light of the above, we find that the complainants have not demonstrated that the trademark requirements of the TPP measures are *per se* inconsistent with Australia's obligations under Article 20 on the grounds that they do not provide for individual assessment of trademarks and their specific features.

The reasons for the adoption of the TPP measures

7.2575. We now turn to a consideration of the reasons for which the special requirements under the TPP measures are applied, including any societal interests they are intended to safeguard, so as to enable us to consider whether these reasons provide sufficient support for the resulting encumbrances on the use of trademarks in the course of trade.

7.2587. We note that the parties are in agreement about the importance of public health as a policy concern. They, furthermore, agree on the importance of effective tobacco control measures to reduce the public health burden resulting from tobacco use. We also recall that the Appellate Body has recognized the preservation of human life and health as a value that is "both vital and important in the highest degree".

7.2588. As regards the TRIPS Agreement in particular, we noted earlier that its Article 8.1 sheds light on the types of societal interests that may provide a basis for the justification of measures under the specific terms of Article 20, and expressly recognizes public health as such a societal interest. Paragraph 5 of the Doha Declaration invites us to read "each provision of the TRIPS

Agreement" in the light of the object and purpose of the Agreement, as expressed in particular in its objectives and principles, which includes Article 8. WTO Members have further emphasized the importance of public health as a legitimate policy concern in paragraph 4 of the Doha Declaration.

7.2590. Having identified the nature and extent of the encumbrances on the use of trademarks arising from the trademark requirements of the TPP measures, and the reasons for which these requirements are being applied, we now consider whether these reasons provide sufficient support for the resulting encumbrances.

7.2593. We recall our findings above, on the basis of the evidence before us, that the removal of design features on retail packaging and cigarettes is apt to reduce the appeal of tobacco products and increase the effectiveness of GHWs. It is integral to this approach that the use of certain figurative features and signs, including those that are protectable subject-matter as trademarks, is restricted as part of the overall standardization of retail packaging and the products themselves (cigarettes and cigars). This overall design of the TPP measures, of which the trademark-related requirements are an integral part, provides support for the conclusion that the reasons for their adoption sufficiently supports these requirements, and that they are therefore not applied "unjustifiably".

7.2595. We recall that the Article 11 FCTC Guidelines provide that the Parties to the FCTC "should consider adopting measures to restrict or prohibit the use of logos, colours, brand images or promotional information on packaging other than brand names and product names displayed in a standard colour and font style (plain packaging)". Similarly, the Article 13 FCTC Guidelines recommend that the Parties to the FCTC "consider adopting plain packaging requirements to eliminate the effects of advertising or promotion on packaging". The Guidelines elaborate on the standard features of plain packaging as including nothing other than a brand or product name, without any logos or other features, in a prescribed font style and size.

7.2598. In our view, the term "unjustifiably" in Article 20 provides a degree of latitude to a Member to choose an intervention to address a policy objective, which may have some impact on the use of trademarks in the course of trade, as long as the reasons sufficiently support any resulting encumbrance. This, however, does not mean that the availability of an alternative measure that involves a lesser or no encumbrance on the use of trademarks could not inform an assessment of whether the reasons for which the special requirements are applied sufficiently support the resulting encumbrance. We do not exclude the possibility that the availability of an alternative measure could, in the circumstances of a particular case, call into question the reasons a respondent would have given for the adoption of a measure challenged under Article 20. This might be the case in particular if a readily available alternative would lead to at least equivalent outcomes in terms of the policy objective of the challenged measure, thus calling into question whether the stated reasons sufficiently support any encumbrances on the use of trademarks resulting from the measure.

7.2601. We conclude for the purposes of our analysis under Article 20 of the TRIPS Agreement that the complainants have not shown that any of the proposed alternative measures alone or in combination would be manifestly better in contributing towards Australia's public health objective, operating in a manner comparable to the TPP measures as an integral part of Australia's comprehensive tobacco control policies and at the level desired by Australia.

7.2604. Overall, we are not persuaded that the complainants have demonstrated that Australia has acted beyond the bounds of the latitude available to it under Article 20 to choose an appropriate policy intervention to address its public health concerns in relation to tobacco products, in imposing certain special requirements under the TPP measures that encumber the use of trademarks in the course of trade. While recognizing 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, we note that the TPP measures, including their trademark restrictions, are an integral part of Australia's comprehensive tobacco control policies, and designed to complement the pre-existing measures. As noted above, the fact that the special requirements, as part of the overall TPP measures and in combination with other tobacco-control measures maintained by Australia, are capable of contributing, and do in fact contribute, to Australia's objective of improving public health by reducing the use of, and exposure to, tobacco products, suggests that the reasons for which these special requirements are applied provide sufficient support for the application of the resulting encumbrances on the use of trademarks. We further note that Australia, while having been the first country to implement tobacco plain packaging, has pursued its relevant domestic public health objective in line with the emerging multilateral public health policies in the area of tobacco control as reflected in the FCTC and the work under its auspices, including the Article 11 and Article 13 FCTC Guidelines.

7.2605. In light of the above, we conclude that the complainants have not demonstrated that the trademark-related requirements of the TPP measures unjustifiably encumber the use of trademarks in the course of trade within the meaning of Article 20 of the TRIPS Agreement.

7.3.5.6 Overall conclusion

7.2606. In light of the above, we find that the complainants have not demonstrated that the TPP measures are inconsistent with Australia's obligations under Article 20 of the TRIPS Agreement.

8 CONCLUSIONS AND RECOMMENDATIONS

8.1. For the reasons set forth in this Report, the Panel concludes that:

a. The Complainants have not demonstrated that the TPP measures are inconsistent with Australia's obligations under Article 2.1 of the TRIPS Agreement in conjunction with Article 6*quinquies* of the Paris Convention (1967);

b. The Complainants have not demonstrated that the TPP measures are inconsistent with Australia's obligations under Article 16.1 of the TRIPS Agreement;

c. The Complainants have not demonstrated that the TPP measures are inconsistent with Australia's obligations under Article 20 of the TRIPS Agreement.