

Articles & Case Notes:

Australia Upholds its Tobacco Plain Packaging Measures

By **Víctor Garrido** of Dumont, Bergman, Bider & Co., S.C.

Mexico City, Mexico.

In landmark domestic and international dispute procedures, the exertion of some intellectual property rights is restricted by tobacco product plain packaging measures in Australia.

Australia was one of the first states signing and ratifying the World Health Organization (WHO) Framework Convention on Tobacco Control (FCTC), which entered into force on February 27, 2005, which has been ratified by 181 members and contemplates, as an optional measure, plain packaging of tobacco products in its guidelines. A subsequent legislative process initiated in 2008 led the country to the adoption of a series of tobacco-control-related measures, including the Tobacco Plain Packaging (TPP) Act, the TPP Regulations, and the Trade Marks Amendment Act (related to tobacco plain packaging), which were enacted in 2011 and fully implemented in 2012, all together hereinafter being referred to as the TPP measures, which operate in conjunction with other legislative requirements.

The TPP measures prohibit the appearance of trademarks and marks anywhere on the retail packaging of tobacco products, except for the brand name, business or company name, variant name, relevant legislative requirements, and other items.

Tobacco companies fought against the TPP measures. The Australian Government defended them before the High Court of Australia (*JT International SA and British American Tobacco Australasia Limited v Commonwealth of Australia, 2012*), specifically on the issue of whether the TPP Act resulted in an acquisition of some plaintiffs' property by the restrictions to use their trademarks. By a majority, the High Court found that the object of the TPP Act is to dissuade persons from using tobacco products in such a way that, if effective, the plaintiffs' businesses may be harmed, but the Commonwealth do not thereby acquire something in the nature of property itself. Moreover, the Australian Government prevailed in a challenge by Philip Morris (*Philip Morris Asia Ltd v Australia, 2012*) in an arbitration claim under the investor-state dispute settlement regime of the Australia-Hong Kong Agreement on the Promotion and Protection of Investments. Philip Morris requested an order to withdraw the TPP measures or refrain from applying them against the company, or award damages for more than four million US dollars plus fees and expenses. The arbitration tribunal dismissed the claims as inadmissible and precluded itself from exercising jurisdiction over the dispute.

On September 20, 2013, Indonesia requested consultations with Australia within the WTO concerning certain Australian laws and regulations that impose restrictions on trademarks, geographical indications, and other plain packaging requirements on tobacco products and packaging. The consultation process was thereafter joined by a plurality of countries. Indonesia requested the establishment of a dispute resolution panel (DRP), which was composed on October 10, 2014, having as complainants the Dominican Republic, Honduras, Cuba, Indonesia and Ukraine. On May 28, 2015, this latter country requested its proceedings to be suspended. On June 28, 2018, the DRP report was circulated to WTO Members and adopted by the Dispute

Settlement Body on August 27, 2018. In its report, the DRP found that the complainants had not demonstrated that Australia's TPP measures are inconsistent with Article 2.2 of the TBT Agreement, Articles 6quinquies and 10bis of the Paris Convention (1967), read in conjunction with Article 2.1 of the TRIPS Agreement, Articles 15.4, 16.1, 16.3, 20, 22.2(b), and 24.3 of the TRIPS Agreement, and Article IX:4 of the GATT 1994. In light of these findings, the DRP declined the complainants' requests that Australia was recommended to bring its measures into conformity with its obligations under the relevant international agreements. Documents related to the DRP report, including a summary of key findings, are available here:
https://www.wto.org/english/tratop_e/dispu_e/cases_e/ds467_e.htm

Starting on July 13, 2018, Honduras, Cuba and the Dominican Republic appealed some of the DRP report findings before the WTO Appellate Body, mainly, those related to Article 2.2 of the TBT Agreement and Articles 16.1 and 20 of the TRIPS agreement; however, in its consolidated report dated June 09, 2020, the Appellate Body confirmed all the appealed issues. The contents of the Appellate Body's consolidated report are available in the following link:
<https://docs.wto.org/dol2fe/Pages/SS/directdoc.aspx?filename=q:/WT/DS/435ABR.pdf&Open=True>

Some interesting IP-related conclusions reached by both the DRP and the Appellate Body include the following:

Article 16.1 of the TRIPS Agreement grants a trademark owner the exclusive right to preclude unauthorized use, in the course of trade, of identical or similar signs for goods or services that are identical or similar to those with respect to which the trademark is registered but the Agreement does not confer a positive right to use its trademark or a right to protect the distinctiveness of that trademark through use.

The owner of a registered trademark can exercise its exclusive right against unauthorized third parties but not against the WTO Member in whose territory the trademark is protected.

The possibility of a reduced occurrence of a likelihood of confusion in the market due to regulatory measures does not, in itself, constitute a violation of Article 16.1 of the TRIPS Agreement which additionally does not require Members to refrain from regulatory measures that may affect the ability to maintain distinctiveness of individual trademarks or to provide a minimum opportunity to use a trademark to protect trademarks distinctiveness.

Under Article 20 of the TRIPS Agreement, Members enjoy a certain degree of discretion in imposing encumbrances on the use of trademarks.

In order to establish that the use of a trademark in the course of trade is being unjustifiably encumbered by special requirements, the complainant has to demonstrate that a policy objective pursued by a Member imposing special requirements does not sufficiently support the encumbrances that result from such special requirements. However, while in the circumstances of a particular case the existence of an alternative measure involving a lesser degree of encumbrance on the use of a trademark could be used as a consideration in evaluating the justifiability of special requirements and related encumbrances on the use of a trademark, such an examination is not a necessary inquiry under Article 20 of the TRIPS Agreement.