

BRIEF of *AMICUS CURIAE*
INTERNATIONAL TRADEMARK ASSOCIATION IN SUPPORT OF THE
COMPLAINANT

SUBMITTED TO THE APPELLATE BODY OF DISPUTE SETTLEMENT PANEL
OF THE
WORLD TRADE ORGANIZATION

IN CASES WT/DS435/R & WT/DS441/R OF
AUSTRALIA — MEASURES CONCERNING TRADEMARKS AND OTHER PLAIN
PACKAGING REQUIREMENTS APPLICABLE TO TOBACCO PRODUCTS AND
PACKAGING

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I. Brief Statement

1. The International Trademark Association (“**INTA**”) submits this brief in its capacity as *amicus curiae* in the consolidated Appeal by the Governments of Honduras and the Dominican Republic against the WTO Reports of the Panels dated June 28, 2018 (“**Panel Report**”). This brief highlights the errors in the Panel Report and INTA’s continuing concerns that Australia’s plain packaging tobacco law is inconsistent with Australia’s obligations under The Agreement on Trade-Related Aspects of Intellectual Property Rights (“**TRIPS**”).

2. The Panel erred in not considering that the plain packaging measures adopted by Australia erode internationally protected intellectual property rights under TRIPS. The Panel also erred in not considering that standardizing the packaging of tobacco products will facilitate the spread of counterfeit tobacco products by making them easier to produce and more difficult to detect.

3. Specifically, the Panel began its consideration of Article 20 of TRIPS based upon an incorrect premise. Contrary to the conclusion of the Panel, the General Agreement on Tariffs and Trade (“**GATT**”) and TRIPS do not concern the rights of states. Rather, those agreements are about states relinquishing certain of their powers in order to free commerce and trade, and consequently to provide global consumers with more choices in products and services at a lower cost. As the preamble to GATT states, its purpose is to create a “substantial reduction of tariffs and other trade barriers and the elimination of preferences, on a reciprocal and mutually advantageous basis.”

4. Despite finding that “special requirement” under Article 20 of TRIPS includes a prohibition on use, the Panel held that TPPA is not in contravention of Article 20. The Panel erred through incorrect application of the “weighing and balancing” test to the term “unjustifiably encumbered”.

5. The Panel erred in dismissing the less drastic alternatives to TPPA that will comply with Article 20 requirements. For example the European Community has warnings covering a significant portion of tobacco packaging yet still leaves room for branding elements.

II. Introduction of the *Amicus Curiae*

6. INTA, which is located at 655 Third Avenue, 10th Floor, New York, NY 10017 USA, was founded in 1878 and is a non-profit membership association of more than 6000 trademark owners and professionals from more than 190 countries all over the world. For over 128 years, INTA has been dedicated to the support and advancement of trademarks, and related intellectual property concepts, as essential elements of commerce. An important objective of INTA is to protect the interest of the public and brand owners in the proper use of trademarks. In this regard, INTA strives to advance the development of trademark and unfair competition laws and treaties throughout the world, based on the global public interest in avoiding deception and confusion.

7. INTA has acted several times in the capacity of *amicus curiae* before the European Court of Justice (“**ECJ**”), and in the United States of America (including before the Supreme Court) and several other jurisdictions. INTA has been an official non-governmental observer to the World Intellectual Property Organization (“**WIPO**”) since 1979 and actively participates in all trademark-related WIPO proposals. INTA has consequently contributed to WIPO trademark initiatives such as the Trademark Law Treaty. INTA also is active in other international arenas including the Asia-Pacific Economic Cooperation Forum (“**APEC**”), the Association of Southeast Asian Nations (“**ASEAN**”), the European Union and the World Trade Organization (“**WTO**”). INTA’s membership is varied and extensive. Therefore, INTA is a balanced and reliable representative body.

III. Interest and objective of the *Amicus Curiae*

8. INTA has a particular interest in this appeal as it has a significant impact on the rights and interests of consumers and trademark owners alike. INTA’s international character brings a global approach to the issue at stake in this appeal. INTA filed an *amicus curiae* brief in the Dispute Settlement Case which is the subject of this appeal.

9. Several trademark owners have secured registration of their trademarks in Australia to carry on business and strive to protect their mark, market and goodwill. They have made huge investment in Australia to promote their brands and to prevent unauthorized and unregulated sales. These brand owners shall be directly impacted by adjudication of the issue of plain

packaging of tobacco products and the *de facto* expropriation of their trademarks. Thus, as a representative body INTA seeks to provide a perspective on the issue of “plain packaging” so as to effectively assist and contribute in advancement of law in the interest of public at large and that of the right holders in a global economy.

10. For several years, INTA has objected to plain packaging requirements through submissions in several jurisdictions where the issue was being considered, including Australia. The restrictions imposed by TPPA on the use of trademarks and trade dress by the trademark owners impair the ability of the consumers to distinguish between brands and create the likelihood of confusion. Furthermore, these restrictions act as encumbrances which effectively require tobacco manufacturers to cease using most of the trademarks that they have legally registered in Australia. INTA submits that these plain packaging measures erode internationally protected IP rights under Paris Convention and TRIPS.

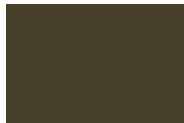
IV. The Case - Background & Appeals

A. BACKGROUND

11. Australia enacted *The Tobacco Plain Packaging Act 2011* (the “**TPPA**”), effective December 1, 2012, to discourage the use of tobacco products. The TPPA prohibits the use of all trademarks, other than standard character word marks, on tobacco products and their packaging. For example, the use of brand imagery, such as logos or colors associated with a particular manufacturer, is prohibited. The implementing regulations of TPPA, *The Tobacco Plain Packaging Regulations 2011*, as amended by *The Tobacco Plain Packaging Amendment Regulation 2012 (No. 1)* (the “**TPPR**”) provide further detailed requirements for package and brand color that also undermine brand differentiation.

12. The TPPA and the TPPR require that:

- (a) the packaging of tobacco products shall have a uniform plain packaging in “drab dark brown colour” corresponding to Pantone 448C as shown below:



- (b) each inner surface of a cigarette pack or cigarette carton must be white;
- (c) the trademark, business name and company name or variant name be displayed only in a standardized form on cigarette packs and cigarette cartons;
- (d) the typeface must be printed in Lucida Sans as shown below:

Tobacco

(i) the font can be no larger than 14 points in size and for a variant name the font can be no larger than 10 points in size, occupying only 25% of the front of the pack or wrapping;

(ii) the first letter in each word of the trademark, business or company name must be capitalized, with no other upper case letters in a normal weighted regular font; and

(iii) shall be written in color known as Pantone Cool Gray 2C as depicted below:



- (e) large health warnings depicting diseased parts of the human body must be embossed on packaging. The below images depict how the tobacco packaging must look under the TPPA:



13. Honduras, Cuba, The Dominican Republic, and Indonesia challenged the TPPA before the WTO, on the grounds that the laws violated international trade agreements, including, the Agreement on Technical Barriers to Trade (the “**TBT**”) and TRIPS.

B. APPEALS IN THE WTO

14. On July 19, 2018, the Government of Honduras filed a Notice of Appeal with respect to the Panel Report in WT/DS435/R.

15. On August 23, 2018, the Dominican Republic filed a Notice of Appeal with respect to the Panel Report in WT/DS441/R.

16. On September 5, 2018, the Appellate Body consolidated the Appeals to the Panel Report for the above two Appeals

V. Grounds regarding the errors in the Panel Report

17. INTA has chosen to only address issues related to the Panel’s ruling in relation to Article 20 of TRIPS. INTA’s submissions are not an admission that the Panel’s conclusions on the other issues are correct or supported by fact or law.

18. The Panel erred by concluding that the TPPA does not contravene Australia’s obligations under Article 20 of TRIPS. The relevant portion of Article 20 reads 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.
(Emphasis added)

19. In order to assess whether the plain packaging measure mandated under the TPPA are compatible with Article 20, it must be considered whether the restriction is:

- (a) a special requirement;
- (b) that encumbers the use of a trademark in the course of trade; and

(c) if so, whether such encumbrance is justified.

20. The Panel began its consideration of Article 20 based upon an incorrect premise. GATT and TRIPS do not concern the rights of states, as the panel has concluded. Those agreements are instead about states relinquishing certain of their powers in order to free commerce and trade, and consequently to provide global consumers with more choices in products and services at a lower cost. As the preamble to the GATT agreement states, its purpose is to create a “substantial reduction of tariffs and other trade barriers and the elimination of preferences, on a reciprocal and mutually advantageous basis.”

21. The rights created are for the benefit of producers, traders and consumers, not state actors. This purpose is highlighted by Article 3 of TRIPS, which affords “national treatment” of trademark rights by providing that “[e]ach Member shall accord to the nationals of other Members treatment no less favourable than that it accords to its own nationals with regard to the protection of intellectual property” subject to certain exceptions set forth in prior agreements, such as the Paris Convention.

22. Article 4 of TRIPS underscores the surrender of certain elements of national sovereignty by providing for “most favored nation” treatment, thus: “[w]ith regard to the protection of intellectual property, any advantage, favour, privilege or immunity granted by a Member to the nationals of any other country shall be accorded immediately and unconditionally to the nationals of all other Members.”

23. Thus TRIPS, like GATT, envisions the surrender of certain elements of national sovereignty and should be read as limiting, not expanding, the rights of state actors, such as the government of Australia.

24. Where the Panel begins to deviate from the central goals of TRIPS is in its reliance upon Articles 7 and 8, rather than the preamble, where the guiding principles of that agreement are actually announced. Specifically, the preamble of TRIPS recognizes that intellectual property, including trademarks, “are private rights,” that is private property rights. Therefore any encumbrance must be viewed from the perspective of the private rights of trademark owners, not

the rights of states who, as a result of GATT and TRIPS, have relinquished certain of their powers to control private transactions within the global marketplace.

25. As to Article 7, it is targeted to patents rather than trademarks. Therefore the Panel's reliance upon that provision is entirely misplaced. In this regard, Article 7 indicates that the rights to which it applies "contribute to the promotion of technological innovation and to the transfer and dissemination of technology." Trademarks rights are not in the nature of "technological innovation" or "technology" in general. Rather, they are a means by which "technology" products and other goods and services may be differentiated in the marketplace.

26. Article 8 does allow nations to adopt measures "necessary to protect public health and nutrition" so long as such measures are "consistent with the provisions of this Agreement." The word "necessary" in Article 8 indicates a higher standard for assessing public health and nutrition measures than does the word "justifiably" in Article 20. Therefore, in order for Article 8 to support the TPPA, that law would need to be "necessary" to prevent persons from using tobacco products. Australia has clearly failed to prove that condition.

27. When TRIPS is understood in its proper context, the denial of the ability to use trademarks on any product, including tobacco, must be viewed through the lens of denial of a private property right protected under those treaties as an essential element in freeing global trade and ensuring consumers can distinguish between lawful products being offered for sale in an open marketplace.

28. The Panel correctly concluded that the TPPA requirements constitute an "encumbrance" for the purposes of Article 20 of TRIPS.

29. Considering the limited secondary role of state actors in TRIPS and GATT, a proper analysis of Article 20 must begin with identifying which party bears the initial burden of proof as to whether an "encumbrance" on trademark rights is "justifiable."

30. It is clear that the initial burden of justifying plain packaging should have fallen on the government of Australia, not the complainants. Denial of a private property right, and enacting legislation that is inimical to the free trade in lawful goods is so contrary to the very reasons for the GATT and TRIPS agreements that Australia should be required to demonstrate by clear and

convincing quantifiable evidence that the plain packaging measures found in the TPPA are both proportional to the alleged harm which exploitation of the intellectual property right may cause and no more restrictive on trade than is necessary to fulfil a legitimate government interest.

31. Otherwise the TPPA effectively destroys or expropriates the established private property, and other rights, in trademarks in violation of Article 20 of TRIPS. It is thus the Australian government's task to justify the complete elimination of certain trademarks and the diminution of word marks to a standard font and size, thereby destroying the source-identifying function of trademarks.

32. To meet the standard set by Article 20, the WTO Member imposing the encumbrance on trademark rights must do more than provide conjecture, anecdotal information, speculation or unquantifiable good intentions (barebones "reasons"). To the best of INTA's knowledge, the government of Australia has failed to meet its burden under this standard and therefore the TPPA is in contravention of TRIPS Article 20. The encumbrance caused by the plain packaging requirements of the TPPA on the private property rights represented by trademarks has not been proven to be justifiable even if, ostensibly, it has a public health objective.

33. The Panel erred in not considering that the encumbrance of special plain packaging requirement under TPPA is not justifiable even if ostensibly, it has a public health objective. A measure that affects trademarks and encumbers their use either by imposing a prohibition on non-word marks or by requiring use of word marks in a special form is in direct contravention of Article 20 of TRIPS.

34. It should further be noted that there are less drastic alternatives to plain packaging which the government of Australia could have adopted and that might have withstood the requirements of Article 20.

35. Specifically, other jurisdictions have adopted warnings and graphic labels which cover significant portions of tobacco packaging and yet leave room for branding elements. For example, the European Union adopted provisions that require 65% of cigarette packs to be covered by warnings and graphic displays, resulting in packaging such as the following:



36. There is no evidence that such packaging is less effective in reducing smoking than the complete elimination of almost all branding elements required by Australia. In fact, there is some evidence that smoking rates in Australia have either stabilized or increased after the introduction of both plain packaging and higher taxes on tobacco products.

37. Thus Australia had clear, less-drastic, alternatives to which it could have turned that would have delivered the same message to potential consumers and yet left elements of branding in place. Again, Australia has not demonstrated that such less-drastic alternatives could not have accomplished the same purposes as a complete expropriation of the packaging for a lawful, albeit harmful, product.

38. The Panel also erred in not considering that the special requirements contained in the TPPA are unjustifiable, in the sense envisaged by TRIPS, because the effect of the requirements is detrimental to the ability to distinguish those goods in the course of trade.

39. A fundamental tenet of trademark law worldwide is that consumers are able to distinguish between goods, and identify the origins of goods, by the trademark. “Generic” packaging, such as imposed by the TPPA, reduces and/or removes the distinctiveness of tobacco trademarks. It therefore also reduces and/or removes the benefits of distinctiveness and information afforded to consumers by distinctive marks.

40. The TPPA measures also create a presumption of equivalence between the products, which is highly damaging for trademark rights, innovation, quality, and safety reasons. The measures do not enable a sufficient differentiation between the products of various traders and discourages innovation. For example, the measures discourage a tobacco company to make efforts to improve its product since the company would not be able to differentiate itself, and its improvements, from the lesser products of competitors.

41. In addition, by eliminating the source function served by trademarks, the TPPA measures open up the market for counterfeiters (often backed by organized crime or terrorist organizations). Those counterfeit products will likely not meet the necessary health and safety requirements for tobacco products, increasing the risk of harm to consumers. For these reasons, the special requirements imposed by TPPA do not have the necessary level of justification.

42. The Panel Report erroneously concludes that the complainants did not contend that the TPPA measures had prevented consumers from distinguishing tobacco products of one undertaking from those of other undertakings. INTA has contended this at E.2., pages 18-19 of its Brief submitted to Dispute Settlement Panel of WTO. The contention is reproduced as below:

A trademark is the “face” of a product, recognizable by consumers and indicating qualities the consumer has come to expect and trust. With the implementation of the TPPA, the consumers stand to be subjected to confusion with respect to the origin/source of the tobacco and other related products thereby missing out on:

- (i) The **reassurance** of reliability, quality and satisfaction from the branded product;
- (ii) The **confidence** that the branded product is the same as that purchased previously and is equally **suitable for their needs; and**
- (iii) **Convenience** associated with easy availability of the desired brand.

Additionally, due to the standardized display of all the marks used in trade, consumers may be misled into buying a branded product which does not live up to the standards of trust and quality which they have come to expect from the well-known trademarked products which they usually purchase. Subjecting the consumers to such confusion and deception is contrary to the international obligation under this provision.

43. The Panel erroneously concluded that there was no evidence that the TPPA measures would lead to an increase in price competition and a fall in prices and thus to a decrease in sales

value of tobacco products. INTA has contended this at E.3., page 19 of its attached Brief submitted to Dispute Settlement Panel of WTO. The contention is reproduced as below:

From an economic perspective, removing branding (including trade dress/get-up) from cigarette packaging may result in consumers having to differentiate rival products by price, which may drive prices and product quality down.

Plain packaging of tobacco products may thus have a “boomerang” effect, i.e., it could lead

to an increase in new smokers, in particular among young people, as product prices are driven down.

In a 2009 report about the pharmaceutical sector, the European Commission found that new market entrants supplying generic products typically price them 25% lower than the branded equivalent and this reduction in price leads to higher consumption.

Similarly, applying this line of reasoning to the tobacco industry would mean that a decrease in the price of tobacco products (brought about by removal of trade dress/packaging which results in product differentiation based on price) may lead to an increase in consumption of tobacco products. Tobacco products would be more affordable for consumers and may even result in more people picking up smoking at a younger age.

VI. CONCLUSION

29. It is thus the conclusion of INTA that Australia’s plain packaging measures, namely the TPPA and TPPR, are in contravention of Australia’s obligations under TRIPS. Any interference by WTO Members with intellectual property rights, including established trademark rights, must be viewed with great skepticism as a potential unlawful deprivation of private property or, at best, a prohibited intrusion on the ability of trademark owners to protect their marks from infringement and dilution. Any burdens placed by WTO Members on those property rights must

thus be based upon a compelling state interest (see e.g. TRIPS Article 8, discussed above) that supersedes the value of the established property right and is both (i) proportional to the alleged harm which expropriation of the intellectual property right may cause, and (ii) quantifiably no more restrictive on trade than is necessary to fulfil a legitimate objective (see Article 2.2., TBT Agreement). A far-reaching measure such as plain packaging cannot be introduced without an impact assessment and proper legal considerations, in particular regarding the implications on intellectual property legislation and international agreements to which the Australia is signatory.

34. The TPPA fails to meet the standards set by TRIPS and the TBT Agreement for the reasons set forth herein. INTA urges WTO Appellate Body to seriously consider the highly negative effects that TPPA could have not just within the tobacco industry, but potentially across all sectors of consumer goods.