

# Plain Packaging in Australia: Implications for Trademark Rights Under the TRIPS Agreement and the Paris Convention

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Peer reviewed version

*Citation for published version (Harvard):*  
Maidana-Eletti, M & Mitchell, AD 2014, 'Plain Packaging in Australia: Implications for Trademark Rights Under the TRIPS Agreement and the Paris Convention', *Anuario Andino de Derechos Intelectuales*.

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# Plain Packaging in Australia: Implications for Trademark Rights under the TRIPS Agreement and the Paris Convention\*

Andrew Mitchell<sup>†</sup> and Mariela Maidana-Eletti<sup>‡</sup>

## Table of Contents

|   |    |
|---|----|
| Plain Packaging in Australia: Implications for Trademark Rights under the TRIPS Agreement and the Paris Convention                            | 1  |
| I. An Introduction to Australia's Plain Packaging Scheme  | 2  |
| II. Plain Packaging and the Scope of Protection for Trademark Rights under Article 15.4 TRIPS and Article 6 <i>quinquies</i> Paris Convention | 5  |
| III. Plain Packaging and the Rights conferred to Trademark Owners under Article 16.1 TRIPS  | 6  |
| IV. Plain Packaging as a Limited Exception under Article 17 of the TRIPS Agreement  | 8  |
| V. Plain Packaging as a Special Requirement under Article 20 TRIPS  | 11 |
| VI. Conclusion  | 12 |

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\* This article draws on previous work of Andrew Mitchell in: TANIA VOON & ANDREW MITCHELL, 'Implications of WTO law for plain packaging of tobacco products' in TANIA VOON, ANDREW MITCHELL, JONATHAN LIBERMAN & GLYN AYRES (eds), *Public Health and Plain Packaging of Cigarette* (Edward Elgar, 2012); ANDREW MITCHELL & TANIA VOON, *Face Off: Assessing WTO Challenges to Australia's Plain Packaging* (2011) *Public Law Review* 218. The authors would like to thank Suzanne Zhou for her comments on an earlier draft.

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## I. An Introduction to Australia's Plain Packaging Scheme

As other forms of advertising have been restricted, packaging has become an increasingly important way for the tobacco industry to attract new smokers. As part of its efforts to reduce smoking and its harmful effects, Australia became the first country to require standardised packaging for tobacco products (referred to as plain packaging).<sup>1</sup> Predictably, this drew a strong response from the tobacco industry, which has launched or funded<sup>2</sup> a series of challenges to Australia's health measure. One arena for these legal challenges is the World Trade Organization (WTO).<sup>3</sup> The WTO complaints concerns WTO obligations related to different agreements, including the Agreement on Technical Barriers to Trade (TBT) and the General Agreement on Tariffs and Trade (GATT), but the area that has generated the most interest concerns the WTO obligations concerning intellectual property contained in the Agreement on Trade Related-Aspects of Intellectual Property (TRIPS Agreement).<sup>4</sup> They key question here is to what extent international trade mark law constrains public policy measures affecting the use of a trade mark.<sup>5</sup> The case has generated enormous interna-

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<sup>1</sup> Tobacco Plain Packaging Act 2011 (Cth) [hereinafter: Plain Packaging Act].

<sup>2</sup> <http://www.ft.com/cms/s/0/314c9446-91fb-11e1-867e-00144feab49a.html>

<sup>3</sup> As of 10 March 2014, Panels have been established, but not composed, to hear the complaints brought by Ukraine (DS 434) and Honduras (DS 435). Requests for consultations have been made by Indonesia (DS 467), Cuba (DS 458) and the Dominican Republic (DS 441). The tobacco industry also unsuccessfully challenged the constitutional validity of the Plain Packaging legislation in Australian courts and Philip Morris Asia has brought an investment claim under the Hong Kong-Australia BIT (*Agreement between the Government of Hong Kong and the Government of Australia for the Promotion and Protection of Investments*), which is on-going.

<sup>4</sup> ANDREW MITCHELL & TANIA VOON, *Face Off: Assessing WTO Challenges to Australia's Plain Packaging* (2011) Public Law Review 218.

<sup>5</sup> WTO, Request for the Establishment of a Panel by Ukraine, Australia – Plain Packaging, 17 August 2012, WT/DS434/11 [hereinafter: Australia – Plain Packaging, Request for the Establishing of a Panel by Ukraine].

tional interest, with a record number of WTO Members becoming third parties in the cases.<sup>6</sup>

Australia's plain packaging scheme is part of its comprehensive tobacco control measures that include bans on tobacco advertising and promotion,<sup>7</sup> mandatory textual and graphic warnings on tobacco packages,<sup>8</sup> restrictions on advertising tobacco products on the internet,<sup>9</sup> taxation of tobacco products, and large investments in anti-smoking social marketing campaigns.<sup>10</sup>

The objects of Australia's plain packaging law are to improve public health by: discouraging smoking initiation, use and relapse; encouraging smoking cessation; and reducing exposure to second hand-smoke.<sup>11</sup> It also implements into national legislation Australia's international obligations as a party to the World Health Organization's Framework Convention on Tobacco Control.<sup>12</sup> To achieve these goals, the Act prescribes the shape, size and type of tobacco packaging including cigarette packs and cartons.<sup>13</sup> It further requires all retail packaging to have a matt finish.<sup>14</sup> With the exception of brand, business or company names and variant names on retail packaging, tobacco products (including their wrappings and retail packaging) must not display any trademarks or other marks than that permitted by regulation.<sup>15</sup> Furthermore, the requirements set forth in the Act may not be circumvented by the use of any feature that is designed to change after

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<sup>6</sup> A record number of 35 WTO Members indicated they will join the dispute initiated by Ukraine as third parties.

<sup>7</sup> Including advertisement and promotion on radio and television, in newspapers and magazines and at sporting events. See: Tobacco Advertisement Prohibition Act 1992 (Cth), ss 13, 15.

<sup>8</sup> Trade Practices (Consumer Product Information Standards) (Tobacco) Regulations 2004 (Cth), regs 35A, 42, 46, 50.

<sup>9</sup> Tobacco Advertisement Prohibition Amendment Bill 2010 (Cth).

<sup>10</sup> Explanatory Memorandum, Tobacco Plain Packaging Bill 2011 (Cth) [hereinafter: Memorandum for the Plain Packaging Bill].

<sup>11</sup> Plain Packaging Act, *supra* note 1 at s 3.

<sup>12</sup> WHO Framework Convention on Tobacco Control, 21 May 2003, 2302 UNTS 166.

<sup>13</sup> Plain Packaging Act, *supra* note 1 at s. 18.

<sup>14</sup> Plain Packaging Act, *supra* note 1 at s 19.

<sup>15</sup> Plain Packaging Act, *supra* note 1 at ss 20, 26.

retail sale.<sup>16</sup> Criminal and civil penalties apply for non-compliance with the Act.<sup>17</sup> Plain Packaging Schemes are also being considered by other jurisdictions including New Zealand,<sup>18</sup> the United Kingdom,<sup>19</sup> and Ireland.<sup>20</sup>

This article briefly considers the question of the compliance of Australia's Plain Packaging Act with international intellectual property (IP) law. It concludes that Australia has not breached any of its international IP obligations by introducing plain packaging, because the measure falls within the scope of permissible regulation under both the Paris Convention<sup>21</sup> and the TRIPS Agreement.<sup>22</sup> Part II of this article examines the compliance of plain packaging with trademark obligations arising out of Article 15.4 of the TRIPS Agreement and Article 6 *quinquies* of the Paris Convention.<sup>23</sup> Part III focuses on the rights conferred to trademark owners under Article 16.1 of the TRIPS Agreement and establishes that the provision does not grant positive rights.<sup>24</sup> Part IV examines whether plain packaging falls within the

<sup>16</sup> Plain Packaging Act, *supra* note 1 at s 25.

<sup>17</sup> *Inter alia*: selling and manufacturing non-compliant products or products in non-compliant packaging or products that are packaged in non-compliant retail packaging. Plain Packaging Act, *supra* note 1 at ss 30 to 49.

<sup>18</sup> The Smoke-Free Environments (Tobacco Plain Packaging) Amendment Bill had its first reading on 11 February 2014 (Hon Tariana Turia).

<sup>19</sup> The Amendment to the Children and Families Bill to establish legislation making powers for plain packaging was tabled and agreed in the UK House of Lords on 29 January 2014. The UK House of Commons considered the amendments on 10 February 2014. See: UK House of Commons, Standardised (Plain) Packaging of Tobacco Products, 10 February 2014, SN/HA/6175.

<sup>20</sup> The Public Health (Standardised Packaging of Tobacco) Bill 2013 has been unanimously approved by the Irish Cabinet on 19 November 2013. The bill has been submitted to the Health Children Committee, which began public hearings on 23 January 2014.

<sup>21</sup> WIPO, Paris Convention for the Protection of Industrial Property, 20 March 1883 as amended on 8 September 1979, WO020EN [hereinafter: the Paris Convention].

<sup>22</sup> Marrakesh Agreement establishing the World Trade Organisation, opened for signature on 15 April 1994, 1867 UNTS 3 (entered into force on 1 January 1995) annex 1C [hereinafter: the TRIPS Agreement].

<sup>23</sup> See *infra* Section II at p. 5.

<sup>24</sup> See *infra* Section III at p. 7.

limited exceptions established by Article 17 of the TRIPS Agreement.<sup>25</sup> Part V analyses plain packaging as a special requirement under Article 20 of the TRIPS Agreement.<sup>26</sup> Part VI briefly concludes.<sup>27</sup>

## II. Plain Packaging and the Scope of Protection for Trademark Rights under Article 15.4 TRIPS and Article 6 *quinquies* Paris Convention

Opponents to plain packaging have argued that Australia's plain packaging scheme violates Article 15.4 of the TRIPS Agreement because "the measures effectively prevent registration and protection of tobacco-related trademarks based on the nature of the product".<sup>28</sup>

Article 15.4 of the TRIPS Agreement provides that:

"The nature of goods or services to which a trademark is to be applied shall in no case form an obstacle to registration of a trademark."<sup>29</sup>

The Plain Packaging Act does not prevent the registration of new trademarks nor does it require the invalidation of already registered trademarks.<sup>30</sup> On the contrary, the Plain Packaging Act specifically states that trademark registration may not be denied or revoked in cases where a trademark owner is prevented from using a mark due to plain packaging requirements.<sup>31</sup>

A distinction must be drawn here between registration and use of a trademark. While TRIPS grants trademark owners the right to register their signs, it does not grant them a positive right to use that registered trademark. Rather, Article 15 of the TRIPS Agreement grants trademark owners the right to prevent or exclude third parties from using a

<sup>25</sup> See *infra* Section IV at p. 9.

<sup>26</sup> See *infra* Section V at p. 11.

<sup>27</sup> See *infra* Section VI at p. 12.

<sup>28</sup> Australia – Plain Packaging, Request for the Establishing of a Panel by Ukraine, *supra* note 5 at p. 3.

<sup>29</sup> Art. 15.4 of the TRIPS Agreement, *supra* note 22.

<sup>30</sup> ANDREW MITCHELL, Australia's Move to the Plain Packaging of Cigarettes and its WTO Compatibility, (2010) 5 Asian Journal of WTO Law & International Health Law and Policy 405 at 415-416 [hereinafter: MITCHELL, Australia's Move to the Plain Packaging].

<sup>31</sup> Plain Packaging Act, *supra* note 1 s 28(3); Trade Marks Amendment (Tobacco Plain Packaging) Act 2011 (Cth) s 231A.

registered trademark.<sup>32</sup> This is a right to exclude, which is unaffected by the Plain Packaging Act.

Although plain packaging affects the use of tobacco trademarks it does not affect their registration. Therefore, the Plain Packaging Act complies with Australia's obligations arising out of Article 15.4 of the TRIPS Agreement.

Furthermore, it has been argued that plain packaging violates Article 6 *quinquies* of the Paris Convention,<sup>33</sup> incorporated into TRIPS pursuant to TRIPS Article 2.1. This provision establishes that trademarks may neither be denied registration nor invalidated except in cases when:

- a) they are of such a nature as to infringe rights acquired by third parties in the country where protection is claimed;
- b) they are devoid of any distinctive character;
- c) they are contrary to morality or public order and, in particular, of such a nature as to deceive the public. It is understood that a mark may not be considered contrary to public order for the sole reason that it does not conform to a provision of the legislation on marks, except if such provision itself relates to public order.

Like Article 15.4 of TRIPS, Article 6 *quinquies* of the Paris Convention refers to trademark registration and validity, not trademark use, and does not appear to be engaged by the Plain Packaging Act. Again, the Plain Packaging Act does not affect the right to register a tobacco trademark, or invalidate such a trademark. It merely limits the use of such a trademark.

### **III. Plain Packaging and the Rights conferred to Trademark Owners under Article 16.1 TRIPS**

Article 16.1 of the TRIPS Agreement establishes the minimum standard of protection for trademark owners. It confers on them the exclusive right to prevent third parties from using, in the course of trade, identical or similar marks.

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<sup>32</sup> For a detailed analysis see *infra* Section III on Art. 16 of the TRIPS Agreement at p. 7.

<sup>33</sup> WIPO, Paris Convention, *supra* note 21.



“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 ...”

The protection afforded by this provision was stressed to be a negative right in the WTO Panel Report *EC – Protection of Trademarks*,<sup>34</sup> which states that the TRIPS Agreement does not generally provide for positive rights. Rather, TRIPS seeks to grant negative rights to prevent certain acts, such as third parties’ use of a registered trademark. The Panel further added:

“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”.<sup>35</sup>

Opponents of plain packaging have submitted that Australia’s plain packaging renders ineffective the exclusive right of trademark owners to use signs and to prevent third parties from using similar ones, thus diluting their distinctive character.<sup>36</sup> The likelihood of confusion test will determine whether the use of a mark similar to a registered mark is capable of distinguishing those goods. However, the concept defining “likeness of confusion” has not been defined within the TRIPS Agreement and therefore it is for the national legal systems and practices of WTO Members to establish whether this threshold has a narrow or wider meaning.<sup>37</sup>

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<sup>34</sup> WTO Panel Report, *European Communities – Protection of Trademarks and Geographical Indications for Agricultural Products and Foodstuffs*, 15 March 2005, WT/DS290/R at para. 7.246 [hereinafter: *EC – Protection of Trademarks*].

<sup>35</sup> *EC – Protection of Trademarks*, *supra* note 34 at para. 7.246.

<sup>36</sup> *Australia – Plain Packaging*, Request for the Establishing of a Panel by Ukraine, *supra* note 5 at p. 3.

<sup>37</sup> For instance, while “likelihood of confusion” refers to individual consumers, “misleading the public” would have a more general connotation and refer to the public at large. For an explanation on the different approaches *see*: NUNO PIRES DE CARVALHO, *The TRIPS Regime of Trademarks and*

In any event, plain packaging does not affect tobacco companies' right to prevent third parties from using their trademarks. The distinctive character of their trademarks remains untouched by the Plain Packaging Act. Tobacco companies are still able to use their trademarks in limited ways, which may include, for instance, their use on corporate letterhead and in advertisements on international flights departing from or arriving in Australia.<sup>38</sup>

Certainly, Article 16.1 of the TRIPS Agreement does not grant owners the right to use a registered mark or be exempted from legitimate regulatory limitations on the use of that mark.<sup>39</sup> It grants a right to exclude rather than to use.<sup>40</sup>

#### IV. Plain Packaging as a Limited Exception under Article 17 of the TRIPS Agreement

It has been argued that the *spirit* of the TRIPS Agreement is to allow the use of marks.<sup>41</sup> On this basis it is argued that TRIPS Article 17 is engaged. This provision reads:

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Designs, Kluwer, 2<sup>nd</sup> Ed. 201 at para. 16.9 [hereinafter: PIRES DE CARVALHO].

<sup>38</sup> Memorandum for the Plain Packaging Bill, *supra* note 10 at p. 4; Tobacco Advertisement Prohibition Amendment Bill 2010 (Cth) s 26A.

<sup>39</sup> ANDREW MITCHELL, Australia's Move to the Plain Packaging of Cigarettes and its WTO Compatibility, *Asian Journal of WTO Law and International Health Law and Policy* (2010), Vol. 5, Nr. 2 at p. 410 [hereinafter: MITCHELL, Plain Packaging and WTO Compatibility].

<sup>40</sup> WTO Appellate Body Report, United States – Sections 211 Omnibus Appropriations Act of 1998, 2 January 2002, WT/DS176/AB/R at para. 186; PIRES DE CARVALHO, *supra* note 37 at p. 343; CARLOS CORREA, *Trade Related Aspects of Intellectual Property Rights: A Commentary on the TRIPS Agreement*, Oxford University Press 2007 at p. 182 and 186 [hereinafter: CORREA]; JIM KEON, *Intellectual Property Rules for Trademarks and Geographical Indications: Important Parts of the New World Trade Order*, in CARLOS CORREA/ABDULQAWI YUSUF (Eds.), *Intellectual Property and International Trade: The Trips Agreement*, Kluwer, 2<sup>nd</sup> Ed. 2008 at pp. 149 and 154;

<sup>41</sup> DANIEL GERVAIS, Report for Japan Tobacco International, *Analysis of the Compatibility of Certain Tobacco Product Packaging Rules with the TRIPS*

“Members may provide limited exceptions to the rights conferred by a trademark, such as fair use of descriptive terms, provided that such exceptions take account of the legitimate interests of the owner of the trademark and third parties.”<sup>42</sup>

The argument then follows that Plain Packaging is not a ‘limited’ exception and does not ‘take into account the legitimate interests’ of the owners of tobacco trademarks, therefore breaching TRIPS Article 17.

In making this argument, opponents of Plain Packaging sometimes make reference to *EC – Protection of Trademarks*, where the panel stated that a ‘trademark owner has a legitimate interest in preserving the distinctiveness ... of its trademark’, including an ‘interest in using its own trademark in connection with the relevant goods and services’.<sup>43</sup> However, in making this statement, the Panel was describing the legitimate interests of a trademark owner pursuant to TRIPS Article 17, rather than defining the rights conferred by a trademark. Indeed, the Panel prefaced its statement by stating that ‘[a]lthough [the TRIPS Agreement] sets out standards for legal rights, it also provides guidance as to WTO Members’ shared understandings of the policies and norms relevant to trademarks and, hence, what might be the legitimate interests of trademark owners’.<sup>44</sup> Further, the same Panel described as a ‘fundamental feature of intellectual property protection’ the fact that the TRIPS 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’. The Panel also specifically confirmed that the right conferred under TRIPS Article 16.1 ‘belongs to the owner of the registered trademark alone, who may exercise it to prevent certain uses by “all third par-

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Agreement and the Paris Convention, 30 November 2010 [hereinafter: GERVAIS Report]; ANETTE KUR, *The Right to Use One’s Own Trade Mark: A Self-Evident Issue or a New Concept in German, European and International Trademark Law?*, (1996) 18(4) *European Intellectual Property Review* 198, 203.

<sup>42</sup> Art. 17 of the TRIPS Agreement, *supra* note 20.

<sup>43</sup> *EC – Protection of Trademarks*, *supra* note 34 at para. 7.664.

<sup>44</sup> *EC – Protection of Trademarks*, *supra* note 34 at para.7.664.

ties” not having the owner’s consent’. This Panel Report was not appealed.

Elsewhere in the Panel Report, the Panel rejected the argument of the European Communities that the reference in Article 24.5 of the TRIPS Agreement to ‘the right to use a trademark’ confers such a right:

“If the drafters had intended to grant a positive right, they would have used positive language. . . . Even if the TRIPS Agreement does not expressly provide for a ‘right to use a trademark’ elsewhere, this does not mean that a provision that measures ‘shall not prejudice’ that right provides for it instead. The right to use a trademark is a right that Members may provide under national law. This is the right saved by Article 24.5 where it provides that certain measures ‘shall not prejudice . . . the right to use a trademark’.

A footnote to this statement confirms 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’.<sup>45</sup> This is not a matter of mere semantics or a happy coincidence (from the perspective of the government of Australia and like-minded countries) when it comes to applying the TRIPS Agreement to plain packaging: the TRIPS Agreement generally frames trademark and other intellectual property (‘IP’) rights as negative rights precisely to allow Members to pursue legitimate non-IP-related public policies such as promoting public health.<sup>46</sup>

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<sup>45</sup> EC – Protection of Trademarks, *supra* note 34 at fn 564.

<sup>46</sup> TANIA VOON/ANDREW MITCHELL, ‘Implications of WTO law for plain packaging of tobacco products’ in TANIA VOON, ANDREW MITCHELL/JONATHAN LIBERMAN/GLYN AYRES (eds), *Public Health and Plain Packaging of Cigarette*, Edward Elgar, 2012 at pp. 115-119 [hereinafter: VOON/MITCHELL, *Implications if WTO law for plain packaging* ]

## V. Plain Packaging as a Special Requirement under Article 20 TRIPS

TRIPS Article 20 refers to special requirements that may affect the use of the trademark in the course of trade. It applies in cases of goods bearing a mark that are allowed to be placed in a given market upon fulfilment of special domestic requirements. It reads:

“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. ...”

The question of whether plain packaging encumbers the use of a trademark by special requirements is uncertain,<sup>47</sup> but assuming it does the key issue is whether the resulting encumbrance on trademark use is unjustifiable.<sup>48</sup>

Some guidance on the meaning of ‘unjustifiable’ can be found in TRIPS Articles 7 and 8, which set out respectively the objectives and principles of the TRIPS Agreement. Article 7 acknowledges the need to protect and enforce IP rights ‘in a manner conducive to social and economic welfare, and to a balance of rights and obligations’, while Article 8.1 recognises that ‘Members may . . . adopt measures necessary to protect public health . . . provided that such measures are consistent with’ the TRIPS Agreement. The Doha Declaration on TRIPS

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<sup>47</sup> MARK DAVISON, ‘The legitimacy of plain packaging under international intellectual property law: why there is no right to use a trademark under either the Paris Convention or the TRIPS Agreement’ in TANIA VOON/ANDREW MITCHELL/JONATHAN LIBERMAN/GLYN AYRES (eds), *Public Health and Plain Packaging of Cigarette*, Edward Elgar, 2012, at p.81; MARK DAVISON, *Plain Packaging of Cigarettes: Would it be Lawful?* (2010) 23(5) *Australian Intellectual Property Law Bulletin* 105 at p. 106.

<sup>48</sup> ANDREW MITCHELL/TANIA VOON, *Face Off: Assessing WTO Challenges for Australia’s Scheme on Plain Tobacco Packaging* (2011) 22(3) *Public Law Review* [hereinafter: MITCHELL/VOON, *Assessing WTO Challenges*].

and Public Health<sup>49</sup> is also relevant in interpreting Article 20. In this Declaration WTO Members stated:

“We agree that the TRIPS Agreement does not and should not prevent Members from taking measures to protect public health. Accordingly, while reiterating our commitment to the TRIPS Agreement, we affirm that the Agreement can and should be interpreted and implemented in a manner supportive of WTO Members’ right to protect public health . . .”<sup>50</sup>

Interpreting TRIPS Article 20 in the light of Articles 7 and 8 and the Doha Declaration in accordance with the Vienna Convention on the Law of Treaties, it seems clear that a public health objective (such as Australia’s) could justify an encumbrance under TRIPS Article 20.<sup>51</sup>

## VI. Conclusion

Our analysis suggests that Australia’s Plain Packaging Act does not violate Australia’s international obligations arising out of the TRIPS Agreement or the Paris Convention. In particular, we have shown that plain packaging does not violate Article 15.4 TRIPS or Article 6 *quinquies* of the Paris Convention because the measure only affects the use of a trademark, and not the registration or validity of the trademark. Plain packaging does not affect the rights conferred to trademark owners under Article 16.1 TRIPS because this provision only provides for the negative right to prevent third parties from using a registered trademark. The TRIPS Agreement does not provide for any positive right to use a trademark and thus, no exception to the rights conferred needs to be invoked. Finally, we have shown that plain packaging does not breach Article 20 TRIPS because even if the measure en-

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<sup>49</sup> WTO, Declaration on the TRIPS Agreement and Public Health, Ministerial Conference, 4<sup>th</sup> Session, Doha, 9-14 November 2001 (adopted on 14 November 2001), 20 November 2001, WT/MIN/(01)/DEC/2 [hereinafter: Doha Declaration].

<sup>50</sup> Doha Declaration, *supra* note 49 at para. 4.

<sup>51</sup> See VOON/MITCHELL, Implications of WTO law for plain packaging, *supra* note 46 at pp. 119-129. See also MARK DAVISON/PATRICK EMERTON, ‘Rights, Privileges, Legitimate Interests, and Justifiability: Article 20 of TRIPS and Plain Packaging of Tobacco’ *American University International Law Review* (Forthcoming).

cumbers the use of tobacco trademarks, this encumbrance is justified by the public health objectives of the Australian government.

