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Rights, Privileges, Legitimate Interests, and Justifiability: Article 20 of TRIPS and Plain Packaging of Tobacco

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ARTICLES

RIGHTS, PRIVILEGES, LEGITIMATE INTERESTS, AND JUSTIFIABILITY: ARTICLE 20 OF TRIPS AND PLAIN PACKAGING OF TOBACCO*

MARK DAVISON** & PATRICK EMERTON***

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I. INTRODUCTION

The outcome of the WTO challenges¹ to the Australian legislation

1. See, e.g., Request for Consultations by Ukraine, *Australia – Certain Measures Concerning Trademarks and Other Plain Packaging Requirements Applicable to Tobacco Products and Packaging*, WT/DS434/1 (Mar. 15, 2012) [hereinafter Request for Consultations by Ukraine, *Australia – Tobacco Plain*

prescribing plain packaging for tobacco, in the context of trademarks, will almost certainly turn on the meaning of Article 20 of the Agreement on Trade-Related Aspects of Intellectual Property Rights (“TRIPS” or “TRIPS Agreement”). However, to understand the meaning of Article 20, we must undertake a detailed assessment of the entire trademarks regime under TRIPS and basic principles underpinning TRIPS. Article 20 provides,

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.²

This article addresses the interpretation of Article 20. We start by briefly identifying the salient features of the Australian plain packaging legislation and the nature of the problems that tobacco-control measures aim to address.

We then discuss the nature of the entitlements that TRIPS confers upon trademark owners by reference to the widely understood and accepted proposition that property consists of a bundle of different relationships between different people in relation to the same thing:

Packaging]; Request for Consultations by the Dominican Republic, *Australia – Certain Measures Concerning Trademarks, Geographical Indications and Other Plain Packaging Requirements Applicable to Tobacco Products and Packaging*, WT/DS444/1 (July 23, 2012); Request for Consultations by Honduras, *Australia – Certain Measures Concerning Trademarks and Other Plain Packaging Requirements Applicable to Tobacco Products and Packaging*, WT/DS435/1 (Apr. 10, 2012) [hereinafter Request for Consultations by Honduras, *Australia – Tobacco Plain Packaging*]; Request for Consultations by Cuba, *Australia – Certain Measures Concerning Trademarks, Geographical Indications and Other Plain Packaging Requirements Applicable to Tobacco Products and Packaging*, WT/DS458/1 (May 7, 2013); Request for Consultations by Indonesia, *Australia – Certain Measures Concerning Trademarks, Geographical Indications and Other Plain Packaging Requirements Applicable to Tobacco Products and Packaging*, WT/DS467/1 (Sept. 25, 2013).

2. Agreement on Trade-Related Aspects of Intellectual Property Rights, art. 20, Apr. 15, 1994, Marrakesh Agreement Establishing the World Trade Organization, Annex 1C, Legal Instruments – Results of the Uruguay Round, 108 Stat. 4809, 1869 U.N.T.S. 299, 33 I.L.M. 1197 [hereinafter TRIPS Agreement].

in this case, trademarks. We conclude that trademark owners enjoy a privilege of using their trademarks but we deny that trademark owners have a right or anything resembling a right to use their trademarks, and we specifically reject the suggestion that the entitlements of trademark owners to positive use of their trademarks exist on some spectrum between a right and a privilege. We further argue that owners' privileges of use of their trademarks are subject to restrictions on the basis of other legitimate interests. Our discussion of the theory of rights and privileges is then supported by a closer examination of the trademark provisions in the TRIPS Agreement which clearly support the proposition that Article 20 does not confer any right to use upon trademark owners, but rather deals with the circumstances in which their privilege of use may be restricted by governments.

After concluding that trademark owners have a defeasible privilege of using their trademarks, we identify the respective interests of trademark owners and government for the purposes of identifying the key aspects of the relationship between trademark owners and government that determine the extent to which the privilege of use is defeasible. On the basis of this analysis, we conclude that Australia's plain packaging legislation is likely to be lawful under TRIPS.

II. WHAT DOES THE AUSTRALIAN PLAIN PACKAGING LEGISLATION DO?

For present purposes, the legislation has three major effects on retail packaging for tobacco. First, no non-word signs of any kind can be used other than a limited number of prescribed signs.³ For example, the background color of packaging is a drab brown.⁴ The prohibition on non-word signs necessarily includes a prohibition of non-word trademarks as the latter are a subset of the former. The prescriptions on use extend to controlling the size and shape of all aspects of packaging. For example, soft packs are prohibited and only standard flip top boxes can be used.⁵ The shape of the cigarette

3. *Tobacco Plain Packaging Act 2011* (Cth) s 20(2) (Austl.).

4. *See id.* s 19(2)(ii) (requiring all outer aspects of primary and secondary packaging to be the color Pantone 448C).

5. *Id.* s 18(2).

sticks is also prescribed.⁶ Second, word trademarks are permitted but they are limited to a particular font size and font or type face and are restricted as to the space on the packaging in which they can appear.⁷ The color of the word trademarks is also prescribed.⁸ Third, the packaging must have large text and graphic warnings that cover ninety percent of the back of the packaging and seventy-five percent of the front of the packaging.⁹

The plain packaging legislation also provides that the opportunity to obtain registration of tobacco trademarks is not lost as a consequence of the legislation.¹⁰ Usually, an applicant for registration is required to have an intention to use a trademark.¹¹ The absence of such an intention is not a disqualifying factor if the plain packaging legislation is the reason for the lack of an intention to use.¹² In addition, trademarks that are not used because of the legislation are immune from removal for non-use.¹³

A. OBJECTIVES OF THE LEGISLATION

The stated objectives of the legislation include improving public health by discouraging people from taking up smoking, or using tobacco products; encouraging people to give up smoking, and to stop using tobacco products; discouraging people who have given up smoking, or who have stopped using tobacco products, from relapsing; and reducing people's exposure to smoke from tobacco products.¹⁴ A further objective is to give effect to certain obligations Australia has under the Framework Convention on Tobacco Control.¹⁵ The legislation goes on to state Parliament's intention to

6. *Tobacco Plain Packaging Regulations 2011* (Cth) reg 3.1.1 (Austl.).

7. *Id.* divisions 2.3, 2.4; *TPP Act 2011* s 20.

8. *TPP Regulations* reg 2.3.2(c)(iv), 2.4.1(f).

9. *Competition and Consumer (Tobacco) Information Standard 2011* (Cth) part 9 div 4 sub-divs 1–2 (Austl.).

10. *TPP Act 2011* s 28.

11. *See Trade Marks Act 1995* (Cth) s 27(1)(b) (Austl.).

12. *TPP Act 2011* s 28(1).

13. *Id.* s 28(3).

14. *Id.* s 3(1)(a).

15. *Id.* s 3(1)(b). *See generally Victoria v Commonwealth* (1996) 187 CLR 416, 487 (Austl.) (holding that as a matter of Australian constitutional law, it is the responsibility of the Australian Parliament “to choose the means by which it carries into or gives effect to” an international agreement, provided that the legislation enacted is “reasonably capable of being considered appropriate and

contribute to achieving these objects

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.¹⁶

The prohibition of non-word signs and the prescription of the use of the brown background color are designed to reduce the attractiveness of packaging and, therefore, the contents of that packaging.¹⁷ The reduction of the attractive aspects of the packaging is designed to ensure greater awareness of the large text and graphic warnings that are placed on the packaging.¹⁸ In addition, restrictions on permissible signs are designed to prevent cigarette manufacturers from conveying misleading impressions about qualities of their cigarettes.¹⁹

Brands are distinguished in a retail setting by their word trademarks because of the mechanisms governing the sale of cigarettes in Australia. Prior to the plain packaging legislation, cigarettes were banned from display at the point of retail sale.²⁰ They

adapted to implementing the treaty”). It is within this domestic constitutional context that the plain packaging legislation characterizes one of its objectives as giving effect to obligations under the *World Health Organization Framework Convention on Tobacco Control*. The legislature is making it clear that it has chosen plain packaging as the means of complying with Australia’s obligations under Articles 11 and 13. *World Health Organization Framework Convention on Tobacco Control*, Feb. 27, 2005, 2302 U.N.T.S. 166; *see also* Jonathan Liberman, *The Power of the WHO FCTC: Understanding Its Legal Status and Weight*, in *THE GLOBAL TOBACCO EPIDEMIC AND THE LAW* (Andrew Mitchell & Tania Voon eds., forthcoming) (arguing that there is more than a “binding” or “non-binding” approach to interpreting the *World Health Organization Framework Convention on Tobacco Control*).

16. *TPP Act 2011* s 3(2).

17. *Id.* s 3(2)(a).

18. *Id.* s 3(2)(b).

19. *Id.* s 3(2)(c). For the purposes of this article, we speak primarily about packaging of tailor-made cigarettes because of ease of explanation. There are some separate issues concerning cigars, but the focus of this article is on plain packaging for cigarettes.

20. *See, e.g., Tobacco Act 1987* (Vic) (Austl.); *Tobacco and Other Smoking Products Act 1998* (Qld) (Austl.); *Tobacco Products Regulations 2004* (SA)

still are. The only indication of the cigarette inventory held at a retail point is a list of brand names together with prices at the point of sale.²¹ Consumers order by reference to the name of the brand. The salesperson then takes the requested cigarettes from a closed, non-transparent cupboard and processes the sale. The figurative or non-word aspects of the packaging were not and are not relevant at the retail stage to distinguishing one brand from another. They would be relevant post-sale when packaging is displayed in a social setting by consumers who have already completed the purchase of their cigarettes. Later, we deal with the relevance of this process in relation to the issue of “use of trademarks in the course of trade.”²² Assertions that the intention of the plain packaging measures is to make cigarette packages indistinguishable from one another are incorrect, at least in light of the importance of word trademarks until the point at which a retail sale is complete.²³ For example, there is no evidence that consumers order Marlboro cigarettes by any means other than asking for “Marlboro” as opposed to “the packet with the red chevron device and the coat of arms.”²⁴

B. WHY CIGARETTES ARE A PUBLIC HEALTH PROBLEM

The proposition that cigarettes are bad for you is trite. Many things are bad for our health. The more important questions are as follows: What is the nature of the harm to health that occurs from cigarette usage? What is the extent of that harm and how does the use of signs,

(Austl.); *Tobacco Products Control Act 2006* (WA) (Austl.); *Public Health (Tobacco) Act 2008* (NSW) (Austl.).

21. See, e.g., *Tobacco Products Regulations 2004* reg 10 (SA) (Austl.).

22. See discussion *infra* Part IV.F–G.

23. See, e.g., *JT Int’l SA v Commonwealth* [2012] HCA 43, 290 (Austl.) (“[T]he visual, verbal, aural and allusive distinctiveness, and any inherent or acquired distinctiveness, of a brand name can continue to affect retail consumers despite the physical restrictions on the appearance of brand names imposed by the Packaging Act.”); see also *N.V. Sumatra Tobacco Trading Co. v British Am. Tobacco Serv. Ltd.* [2011] FCA 1051 (Austl.) (Greenwood J found that word trademarks for cigarettes held greater significance than other features of a tobacco trademark because of the restrictions on advertising and point of sale display of cigarette packets).

24. MARLBORO CIGARETTE PACKET, Registration No. 1173048 (describing the image on Australian registered trademark number 1173048—a Marlboro cigarette packet—as “coat-of-arms is ltrs in shield supported by 2 horses in cigarette packet”).

including trademarks, contribute to the nature and extent of that harm?

Tobacco usage will be the direct cause of death of an estimated one billion people in the current century.²⁵ The Australian death toll from tobacco is about 15,000 per annum.²⁶ The evidence that tobacco will kill about fifty percent of its long-term users is widely accepted.²⁷ It is also widely accepted that nicotine is highly addictive. According to the Royal College of Physicians and the U.S. Surgeon General, tobacco's physiological addictiveness is on par with that of heroin or cocaine.²⁸ Therefore any use of tobacco contributes to the likelihood of further use, which is likely to result in physiological addictiveness relatively quickly. More critically, the initial use of tobacco is overwhelmingly by those who are not yet adults.²⁹ The

25. *Fact Sheet No. 339*, WORLD HEALTH ORG., <http://www.who.int/mediacentre/factsheets/fs339/en/> (updated July 2013) [hereinafter *WHO Fact Sheet No. 339*].

26. *Deaths Attributable to Tobacco by Disease Category*, TOBACCO IN AUSTRALIA: FACTS AND ISSUES ch. 3.30 (2012), <http://www.tobaccoinaustralia.org.au/chapter-3-health-effects/3-30-deaths-attributable-to-tobacco-by-disease-cat/>.

27. *WHO Fact Sheet No. 339*, *supra* note 25.

28. SURGEON GENERAL, THE HEALTH CONSEQUENCES OF SMOKING: NICOTINE ADDICTION vi (1998), available at <http://profiles.nlm.nih.gov/ps/access/NNBBZD.pdf>; *Harm Reduction in Nicotine Addiction: Helping People Who Can't Quit*, TOBACCO ADVISORY GROUP ROYAL COLLEGE OF PHYSICIANS 66 (2007), available at <http://www.rcplondon.ac.uk/sites/default/files/documents/harm-reduction-nicotine-addiction.pdf>. In the pleadings to the Australian High Court challenge to the plain packaging legislation, Imperial Tobacco Australia Ltd and British American Tobacco Australasia Ltd denied that nicotine is physiologically addictive. *Van Nelle Tabak Nederland & Imperial Tobacco Australia Ltd v Commonwealth: Submissions in Reply* [2012] HCA 43, 24 (No. S399 of 2011) (Austl.). Imperial Tobacco Australia Ltd simply admitted that "smoking can be characterised as addictive in that some people may find it difficult to stop smoking." *Id.* at 10(c). It otherwise denied the Australian government's claim of physiological addiction. Imperial Tobacco Australia Ltd would also only admit that "public health authorities have concluded that smoking is a cause of lung cancer and other diseases in smokers" and that "statistics show that smokers are more likely than non-smokers to develop lung cancer and certain other diseases." *Id.* at 10(a), (b). It otherwise denied the Commonwealth's allegations that smoking causes a number of diseases that were listed in the Commonwealth's pleadings. *Id.* at 10(d).

29. *Preventing Tobacco Use Among Youth and Young Adults: A Report of the Surgeon General*, U.S. DEP'T HEALTH & HUM. SERVS. 3 (2012) [hereinafter *Preventing Tobacco Use Among Youth*].

tobacco industry's business model is almost completely dependent on the physiological addiction of minors to tobacco products and that physiological addiction continuing into adulthood.³⁰ About eighty-eight percent of cigarette smokers were smokers before reaching adulthood.³¹ Very few adults choose to become established smokers after they reach adulthood. Without the addiction of minors, the tobacco problem would be dramatically reduced.³²

Hence, the nature of the harm from tobacco flows from long-term use, and the extent of the harm is extreme. Additionally, the nature and extent of the harm is primarily attributable to use commencing when people are minors. One further fact about the harm of tobacco use and prevention of it might also be useful. If adults smoke, the chances of their children smoking increase on average by fifty percent.³³ Every time an adult gives up, the chances of his or her children starting to smoke decrease. For every child who does not smoke and therefore does not smoke as an adult, the odds of his or her children smoking are decreased by fifty percent compared to the position if the parent had become a smoker. The time frame in which the success of a tobacco control measure is assessed must take into account the issues mentioned above. The nature of the product is also such that there is only one possible broad regulatory response of government to tobacco: one aimed at total abstinence because of the addictive nature of the product.

The legitimate interest of governments in this issue is considerable for social and economic reasons.³⁴ "Government" in this context not only has a legitimate interest³⁵ of its own due to its obligations to oversee the social development of its nation, the health of its citizens,

30. *Id.*

31. *Id.*

32. *See, e.g., id.* at 4 ("[A]dolescents can become dependent at even low levels of consumption . . . because the adolescent brain is still developing, it may be more susceptible and receptive to nicotine than the adult brain."); *The Seven Dwarves: I Believe That Nicotine Is Not Addictive* (uploaded Nov. 26, 2006), available at <http://www.youtube.com/watch?v=jQUNk5meJHs>.

33. *Preventing Tobacco Use Among Youth*, *supra* note 29, at 455.

34. DAVID J. COLLINS & HELEN M. LAPSLEY, THE COSTS OF TOBACCO, ALCOHOL AND ILLICIT DRUG ABUSE TO AUSTRALIAN SOCIETY IN 2004/05 xi (2008) (finding the total social costs of tobacco to be 31.5 billion AUD in 2004 and 2005).

35. *See* discussion *infra* Part III.C.

and its national budget,³⁶ but it also has a legitimate interest as the representative of consumers and non-consumers.³⁷

Unusually, in the context of commerce and trademarks, where consumption or facilitating consumption is the usual objective, governments have a very keen interest in the non-consumption of tobacco, especially by minors. Non-consumers have a legitimate interest in the non-consumption by others because of the economic and social costs imposed by tobacco use,³⁸ as well as in their own non-consumption by avoiding passive smoking.³⁹ Governments have other legitimate interests in regulating the use of signs, which we discuss later.⁴⁰

C. EVIDENCE ABOUT PLAIN PACKAGING

This article does not propose to engage in an exhaustive examination of the evidence that plain packaging will achieve its legislative objectives. However, it is correct to say that the main target of the plain packaging legislation is minors.⁴¹ If they refrain from smoking, they will continue to do so into adulthood. There may also be direct effects on usage by current smokers. For example, one study in the United Kingdom has suggested that plain packaging would result in about 500,000 current smokers in the United Kingdom ceasing to smoke over about a two-year period.⁴² However,

36. See COLLINS & LAPSLEY, *supra* note 34, at 71 (outlining the impact of tobacco abuse on the federal government budget).

37. See *id.* at 16 (discussing the harm to other citizens when the government must concentrate its services on those who are addicted to various forms of drugs).

38. *Id.* at 8.

39. See generally *The Health Consequences of Involuntary Exposure to Tobacco Smoke: A Report of the Surgeon General*, U.S. DEP'T HEALTH & HUM. SERVS., 24 (2006), available at <http://www.surgeongeneral.gov/library/reports/secondhandsmoke/fullreport.pdf> (acknowledging that the harmful effects of passive smoking are widely documented).

40. See discussion *infra* Part IV.G.

41. See *Australia: The Healthiest Country by 2020*, NAT'L PREVENTATIVE HEALTH TASKFORCE (2009), available at [http://www.preventativehealth.org.au/internet/preventativehealth/publishing.nsf/Content/nphs-roadmap/\\$File/nphs-roadmap.pdf](http://www.preventativehealth.org.au/internet/preventativehealth/publishing.nsf/Content/nphs-roadmap/$File/nphs-roadmap.pdf) [hereinafter *Australia: The Healthiest Country by 2020*] (developing anti-smoking strategies to combat tobacco companies' targeting of minors).

42. *Plain Packaging of Tobacco Products Would Cut Smoking, Experts Say*, SCIENCE DAILY, Jan. 23, 2013, <http://www.sciencedaily.com/releases/2013/01/130123115354.htm>. We regard this reduction as both large and significant. If 500,000 ceased smoking, this reduction would translate to about 250,000 fewer

the study concluded that the main impact of plain packaging would be on reductions in the uptake of smoking by minors.⁴³

We will refer to additional evidence later in this article to indicate why the State has an interest in plain packaging.⁴⁴ Again, this reference to the evidence will not be exhaustive by any means, but indicative of the type of evidence that is available. Much of the evidence relates to documents obtained from tobacco companies themselves about the marketing uses to which they put their packaging and also the knowledge that tobacco companies had of the dangers of their products despite their public denials.⁴⁵ Other evidence relates to research done over thirty years on the likely effects of plain packaging.⁴⁶

III. PROCESS OF INTERPRETATION OF TRIPS

There are a number of principles relevant to the process of interpretation of international treaties and TRIPS in particular. Scholars have discussed these principles in some detail elsewhere,⁴⁷ and this article will not add substantially to that discussion. In essence, an interpretation of TRIPS must have due regard to the context of the terms of the treaty and the object and purpose of the treaty, as well as other relevant rules of international law, as per Article 31 of the Vienna Convention. According to Paragraph 1 of Article 31, “A treaty shall be interpreted in good faith in accordance

deaths from tobacco usage. Whether that number of deaths is “large” is probably a normative conclusion on our part.

43. *Id.*

44. See discussion *infra* Part IV.G.

45. See *Legacy Tobacco Documents Library*, UNIV. CAL. S.F., <http://legacy.library.ucsf.edu/> (listing over “14 million documents created by major tobacco companies related to their advertising, manufacturing, marketing, sales and scientific research activities”).

46. See, e.g., *Plain Packaging: The Facts*, CANCER COUNCIL VICTORIA, <http://www.cancervic.org.au/plainfacts/> (arguing that the use of fewer design elements on cigarette packs would diminish the positive perceptions that people have about smoking).

47. See, e.g., Isabelle Van Damme, *Treaty Interpretation by the WTO Appellate Body*, 21 EUR. J. INT’L L. 605, 607–08 (2010) (stating that Article 3.2 of the WTO Dispute Settlement Understanding allows for use of customary rules of treaty interpretation, including those in Articles 31–33 of the Vienna Convention on the Law of Treaties); MICHELLE T. GRANDO, EVIDENCE, PROOF, AND FACT-FINDING IN WTO DISPUTE SETTLEMENT (2009).

with the ordinary meaning to be given to the terms of the treaty in their context and in the light of its object and purpose.”⁴⁸ Paragraph 3(c) of Article 31 then provides other sources that may assist in the interpretation of a treaty: “There shall be taken into account, together with the context: any relevant rules of international law applicable in the relations between the parties.”⁴⁹

In addition, Article 32 of the Vienna Convention permits reference to supplementary materials such as the preparatory works in some circumstances:

Recourse may be had to supplementary means of interpretation, including the preparatory work of the treaty and the circumstances of its conclusion, in order to confirm the meaning resulting from the application of article 31, or to determine the meaning when the interpretation according to article 31: (a) leaves the meaning ambiguous or obscure; or (b) leads to a result which is manifestly absurd or unreasonable.⁵⁰

Starting an analysis by initial reference to a narrowly literal meaning of TRIPS runs the risk of being too formalistic in the interpretation of the words in the relevant provisions.⁵¹ On the other hand, starting with an overarching narrative based on legal theory and statements about international norms of trademark use, without regard to relevant international legal and other interpretive considerations, runs the risk of misunderstanding what was actually agreed upon at the WTO. Article 31 of the Vienna Convention mandates that parties establish the meaning of the words used and then give effect to them; it does not license disregarding them or

48. Vienna Convention on the Law of Treaties, art. 31, May 23, 1969, 1155 U.N.T.S. 331 (entered into force Jan. 27, 1980) [hereinafter Vienna Convention].

49. *Id.*

50. *Id.* art. 32.

51. See Appellate Body Report, *United States – Measures Affecting the Cross-Border Supply of Gambling and Betting Services*, ¶ 164, WT/DS285/AB/R (Apr. 7, 2005) (“[D]ictionaries, alone, are not necessarily capable of resolving complex questions of interpretation.”); Appellate Body Report, *United States – Final Countervailing Duty Determination with Respect to Certain Softwood Lumber from Canada*, ¶ 59, WT/DS257/AB/R (Jan. 19, 2004) (“[D]ictionary definitions have their limitations in revealing the ordinary meaning of a term.”); cf. Appellate Body Report, *United States – Continued Dumping and Subsidy Offset Act of 2000*, ¶ 248, WT/DS217/AB/R (Jan. 16, 2003) (“[D]ictionaries are important guides to, but not dispositive statements of, definitions of words in agreements and legal documents.”).

going beyond them. At some point, the interpretation of a treaty must marry the text and principles allegedly underlying the text to ascertain the meaning of TRIPS Article 20.

This analysis starts with a discussion of overarching principles and attempts to integrate relevant principles given the wording of the TRIPS Agreement itself. In part, it does so because prior interpretive approaches have been criticized for their allegedly excessive formalism.⁵² In the end, formalistic interpretations need to be supported by context, object, and purpose; but asserted context, object, and purpose also need to be supported by the actual words of the agreement and a coherent theoretical structure. Violence to the meaning of TRIPS can be inflicted by undue formalism. It can also be inflicted by attempts to capture its meaning using principles or heuristics of interpretation that fail to reflect the nuances in the text and the reconciliation of competing approaches, principles, and interests implicit in the wording of the agreement.⁵³

A. RIGHTS, PRIVILEGES, AND POWERS

The debate about the meaning of Article 20 revolves around the nature of the entitlements that TRIPS confers on trademark owners. TRIPS certainly confers some exclusive rights on trademark owners. These rights are expressed in Article 16 and via Article 2, which incorporates Article 6*bis* of the Paris Convention into TRIPS. Article 16(1) confers a right on owners of registered trademarks to prevent others from using their trademarks where such use would likely lead to confusion.⁵⁴ In addition, Article 2⁵⁵ and Articles 16(2) and (3)⁵⁶

52. See Susy Frankel & Daniel Gervais, *Plain Packaging and the Interpretation of the TRIPS Agreement*, 46 VAND. J. TRANSNAT'L L. 1149, 1213 (2013) (arguing that the TRIPS Agreements should be given a contextual interpretation rather than a more formalistic one).

53. Negotiations on the text and content of TRIPS began in April 1989 and ended in December 1993. Some of the complexity of the agreement is demonstrated by the very first sentence of the Preamble to TRIPS which states, in part, as follows:

Desiring to reduce distortions and impediments to international trade, and taking into account the need to promote effective and adequate protection of intellectual property rights, and to ensure that measures and procedures to enforce intellectual property rights do not themselves become barriers to legitimate trade.

TRIPS Agreement pmb1.

54. See *id.* art. 16(1) ("The owner of a registered trademark shall have the exclusive right to prevent all third parties not having the owner's consent from

confer Article 6bis rights on owners of well-known trademarks, whether registered or not, to prevent the use of those trademarks by others in certain circumstances.

These express rights are expressed in negative terms and a panel decision of the WTO has said as much.⁵⁷ Considered in and of themselves, these rights do not also confer a right to use registered or well known trademarks. It is the case, however, that the rights of excluding third parties from using certain trademarks conferred by Article 16 and Article 2 have the effect of conferring on owners of

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.”).

55. Paris Convention for the Protection of Industrial Property, art. 6, March 20, 1883, as revised at the Stockholm Revision Conference, July 14, 1967, 21 U.S.T. 1538, 828 U.N.T.S. 305 [hereinafter Paris Convention], *incorporated into* TRIPS Agreement art. 2 (“The countries of the Union undertake, ex officio if their legislation so permits, or at the request of an interested party, to refuse or to cancel the registration, and to prohibit the use, of a trademark which constitutes a reproduction, an imitation, or a translation, liable to create confusion, of a mark considered by the competent authority of the country of registration or use to be well known in that country as being already the mark of a person entitled to the benefits of this Convention and used for identical or similar goods. These provisions shall also apply when the essential part of the mark constitutes a reproduction of any such well-known mark or an imitation liable to create confusion therewith.”).

56. TRIPS Agreement arts. 16(2), 16(3) (“Article 6bis of the Paris Convention (1967) shall apply, *mutatis mutandis*, to services. In determining whether a trademark is well-known, Members shall take account of the knowledge of the trademark in the relevant sector of the public, including knowledge in the Member concerned which has been obtained as a result of the promotion of the trademark Article 6bis of the Paris Convention (1967) shall apply, *mutatis mutandis*, to goods or services which are not similar to those in respect of which a trademark is registered, provided that use of that trademark in relation to those goods or services would indicate a connection between those goods or services and the owner of the registered trademark and provided that the interests of the owner of the registered trademark are likely to be damaged by such use.”).

57. Panel Report, *European Communities – Protection of Trademarks and Geographical Indications For Agricultural Products and Foodstuffs*, ¶ 7.210, WT/DS174/R (Mar. 15, 2005) [hereinafter *European Communities – Trademarks and Geographical Indications*] (confirming that the TRIPS Agreement does not give positive rights to use, but instead grants negative rights to prevent “certain acts”).

registered and well known trademarks an exclusive privilege of using those trademarks.⁵⁸ At this point, before going on to consider the extent to which this exclusive privilege may permissibly be restricted by government action, some precision in the definition of terms is very necessary. Shifting definitions in the course of an explanation of TRIPS will inevitably lead to errors in interpretation.

The expressions “rights” and “privilege” in this context are drawn from Wesley Newcomb Hohfeld’s well known discussion of these concepts.⁵⁹ According to Hohfeld, property consists of a web of relationships between people rather than some identifiable tangible or intangible “thing,” and the legal nature of property depends entirely on the actions or lack of action of people rather than the “thing” itself, and those actions depend on the nature of the legal relationships in question.⁶⁰ Consequently, close attention needs to be paid to the nature of any relationship relevant to consideration of the particular property in question. Different relationships have different implications for the nature of the property.⁶¹

Additionally, Hohfeld’s taxonomy distinguishes between a right and a privilege. A right can be said to exist when there is a corresponding duty on another pertaining to the subject matter of the right.⁶² Thus, the existence of a duty on certain parties not to interfere with (or use) some thing demonstrates the existence of another’s right to exclude them from (use of) that thing.⁶³ For example, a duty of third parties not to use a trademark correlates to the right of the trademark owner to exclude third parties from use of that trademark. In order to distinguish it more clearly from a privilege, a right in this sense can be described as a “claim” or a “claim right,” because the

58. TRIPS Agreement arts. 2, 16.

59. WESLEY NEWCOMB HOHFELD, *FUNDAMENTAL LEGAL CONCEPTIONS AS APPLIED IN JUDICIAL REASONING* (David Campbell & Philip Thomas eds., 2001).

60. *Id.* at 26, 75–76.

61. *See, e.g.*, JOSEPH RAZ, *THE MORALITY OF FREEDOM* 182 (1986) [hereinafter RAZ, *THE MORALITY OF FREEDOM*] (emphasizing the relational character of rights).

62. HOHFELD, *supra* note 59, at 13.

63. Although it is widely accepted that not all rights are negative in this fashion, as noted above, trademark owners’ rights to exclude others from using a trademark are negative rights. Hence there is no need to consider the general form of the duties that might correspond to positive rights.

right holder enjoys a claim against those who owe the duty.⁶⁴

A privilege (also known as a liberty) is not a right in this strict sense, but a legal permission to engage in conduct (or to refrain from engaging in that conduct). A person enjoys the privilege of doing something if no other person has a claim right that the first person not do that thing.⁶⁵ The privilege of using a trademark could also be described as the absence of a claim right in anyone else to prevent use of that trademark. Hohfeld described such a relationship as one where one party has the privilege and others have a correlative “no-right” that the party refrain from exercising that privilege.⁶⁶

In the absence of any trademark legislation, every person would have the privilege of using a sign as a trademark. More accurately, everyone would have the privilege of attempting to use it as a trademark. Ultimately, if no right exists to exclude third parties from using a sign, that privilege becomes meaningless in a trademark context as the sign will be incapable of distinguishing goods from other goods if multiple parties have the privilege of using that sign and actually exercise that privilege.⁶⁷ In that sense, the right of exclusion is fundamental to the very existence of trademarks. Each nation has its own rules about the point at which an individual acquires the right of exclusion and, as a consequence, usually acquires a privilege of using a sign as a trademark to the exclusion of others. For example, in countries with a “first-to-file” system, ownership flows to the first individual to seek registration. In countries with a “first-to-use” system, ownership flows from being either the first to use a trademark and then seek registration on that basis or, in the absence of use by anyone, the first to seek registration. In that sense, everybody has the privilege of being the first to file or the first to use and to thereby obtain the exclusive privilege of use by denying everyone else’s privilege of use through a right of exclusion while retaining their own pre-existing privilege of use. In addition, certain provisions of the Paris Convention that are incorporated into TRIPS⁶⁸ effectively place a duty on government

64. HOHFELD, *supra* note 59, at 13.

65. *Id.* at 14, 17.

66. *Id.* at 14.

67. It is possible for a trademark to be owned jointly, but it certainly cannot be owned by everybody.

68. TRIPS Agreement art. 2(1) (requiring adherence to relevant provisions of

to accept registration in certain circumstances, or at least not to deny registration on the basis of certain circumstances.⁶⁹ These provisions, therefore, establish a right to acquire registration,⁷⁰ and registration, in turn, leads to obtaining the right of exclusion which has the effect of conferring an exclusive privilege of use.

Hohfeld also refers to powers pursuant to which a person may alter legal relations.⁷¹ For example, a trademark owner has the power to assign ownership of a trademark, resulting in a change of legal relations whereby the assignee acquires both the right to exclude and the privilege of using while the assignor gives up both that right and that privilege.⁷² If the trademark owner licenses the use of the trademark, it is using its power to confer a privilege on the licensee, and depending on the terms of the license and domestic legislation concerning the rights of an exclusive licensee, a right to exclude third parties.⁷³ One consequence of the exercise of a power may be the imposition of duties: for instance, a trader who exercises the power to assign a trademark comes under a duty, owed to the assignee, not to use the trademark.⁷⁴

The property of a trademark owner consists of the web of relationships such as rights and duties, privileges and “no-right,” and powers and liabilities surrounding the trademark. The relationships are interrelated in the sense that, to understand the nature of the property, one needs to understand how all the relationships interact. A critical point to remember is that property is about a multitude of relationships between different parties rather than general slogans such as that “trademarks were made to be used.”

the Paris Convention).

69. See, e.g., Paris Convention, *supra* note 55, art. 6*quinqüies* (requiring that “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”); *id.* art. 7 (restricting the capacity to deny registration of trademarks on the basis of the nature of the goods in respect of which registration is sought).

70. See, e.g., TRIPS Agreement art. 15(2).

71. HOHFELD, *supra* note 59, at 21.

72. See *id.* at 22 (analyzing the general nature of an assignment of property).

73. See, e.g., *Trade Marks Act 1995* (Cth) s 26 (Austl.) (outlining the agreements between trademark owner and licensees).

74. See generally HLA HART, *THE CONCEPT OF LAW* 27–32, 79–81, 94–98 (1994) (discussing the capacity of legal actors to change what duties are owed by the exercise of powers).

B. LEGITIMATE INTERESTS, RIGHTS, AND PRIVILEGES

The right to exclude others from using a trademark creates the conditions under which a trademark owner obtains both the exclusive privilege of using the trademark as a trademark and the power to authorize others, such as licensees, to use the trademark exclusively. Nevertheless, claim rights are rarely, if ever, absolute.⁷⁵ There will almost invariably be exceptions to claim rights. For example, even a claim right not to be killed is not absolute: self-defense, or acts of war permitted by international law, may justify killing another. Similarly, a privilege may be defeasible in the sense that it might be taken away partially or completely by a third party who comes to enjoy a claim right to prevent the conduct that was the subject matter of the privilege.⁷⁶

“Legitimate interests” have a key role to play in understanding the scope of rights and privileges, as well as the circumstances in which they may be defeated, according to both general legal theory and in the interpretation of TRIPS. In fact, TRIPS and other WTO agreements frequently refer to “rights” and “legitimate interests.”⁷⁷ The latter are separate from rights, although related to them in important ways. While some scholars may refer to “privileges” and “rights” as “legitimate interests,”⁷⁸ neither TRIPS nor any of the influential legal theorists in the area does so.⁷⁹ There may be a

75. JUDITH JARVIS THOMSON, *THE REALM OF RIGHTS* 82–122 (1990).

76. *Id.*

77. There are 131 references to “right” or “rights” in TRIPS alone. There are nine references to legitimate interests in TRIPS. For references to these things in other WTO agreements, *see, e.g.*, Agreement on Technical Barriers to Trade, art. 2.2, Apr. 15, 1994, Marrakesh Agreement Establishing the World Trade Organization, Annex 1A, 1868 U.N.T.S. 120 [hereinafter TBT Agreement]; Agreement on Trade Related Investment Measures, art. 6, Apr. 15, 1994, 1868 U.N.T.S. 186 [hereinafter TRIMs Agreement]; Agreement on the Application of Sanitary and Phytosanitary Measures, Annex C(1)(d), Apr. 15, 1994, 1867 U.N.T.S. 493 [hereinafter SPS Agreement]; TBT Agreement, *supra* art. 5.2.4.

78. *See* Frankel & Gervais, *supra* note 52, at 1190 (arguing that rights are a form of legitimate interest, and suggesting that privileges and legitimate interests are the same thing); *id.* at 1190 n.180 (“[A] right is a legitimate interest, but not all legitimate interests are rights.”).

79. *See, e.g.*, HOHFELD, *supra* note 59, at 12–16 (discussing in detail the difference between a claim right and a privilege, without equating either with a legitimate interest); THOMSON, *supra* note 75, at 39–47 (describing the relationship between “rights” and “privileges” without equating either with “legitimate interests”); RAZ, *THE MORALITY OF FREEDOM*, *supra* note 61, at 165–92

legitimate interest *in* using a trademark, a privilege *of* using a trademark, or even a right *to* use a trademark (although we reject that latter proposition) but the suggestion that there is a legitimate interest *to use* a trademark⁸⁰ is unusual in both a formalistic and a theoretical sense. As the following paragraphs will explain, this is because interests are either the basis for the existence of a duty to protect those interests via a claim right or the basis of a “no-right” on the part of others that one refrain from the exercise of a privilege of advancing those interests.

A well accepted theoretical approach is that a duty to protect or promote a legitimate interest may exist when the balance of reasons favors requiring a third party to protect or promote that interest. The existence of such a duty means also the existence of a claim right as the correlate of that duty. While interests may, in this way, be the basis of rights, they are not rights in themselves.⁸¹ Considerations in favor of the existence of a right include the importance of the legitimate interest underlying it and the feasibility of requiring others to protect or promote that interest.⁸² Considerations against requiring another to protect a legitimate interest may be that it is too onerous to impose such a demand upon that other party, or that the other party itself has some interest to protect that conflicts with the interest of

(discussing the nature of rights including the capacity to have rights and the relation between rights, duties, and interests).

80. Frankel & Gervais, *supra* note 52, at 1197 (arguing that limitations on trademark owners’ rights are important, but that these show only that there is no absolute or explicit right to use a trademark, and do “not preclude . . . rights or interests to . . . use a trademark”).

81. Raz describes interests as the “basis” of rights: “The specific role of right in practical thinking is . . . the grounding of duties in the interests of other beings.” RAZ, *THE MORALITY OF FREEDOM*, *supra* note 61, at 180. Raz states that *X has a right* only if it is the case that some interest of *X* is a sufficient reason for holding some other person to be under a duty to protect or promote that interest. *Id.* at 166, 170–71, 183. Conversely he notes that when “conflicting considerations altogether defeat the interests of the would-be right-holder, or when they weaken their force and no one could justifiably be held to be *obligated* on account of those interests, then there is no right.” *Id.* at 184.

82. See John Tasioulas, *Taking the Rights Out of Human Rights*, 120 *ETHICS* 647, 669–72 (2010) (discussing “the judgments of feasibility that must be made in assessing whether an interest generates a . . . right”); John Tasioulas, *The Moral Reality of Human Rights*, in *FREEDOM FROM POVERTY AS A HUMAN RIGHT* 75, 76–77, 91–92 (Thomas Pogge ed., 2007) (discussing “feasible institutional design” as a crucial consideration in identifying the existence of rights).

the party seeking to impose a duty upon it.⁸³ If an interest is legitimate, and hence worthy of respect, but it is not reasonable to require another to protect that interest, then no right exists. However, a privilege of pursuing the interest may still exist, whereby others have no duty that is owed to the privilege holder but equally have no right to the non-exercise of the privilege by the privilege holder.

Applying this analysis of rights, privileges, and interests to the right of exclusion conferred on trademark owners, we note that (1) an owner of a trademark has a legitimate interest that should be protected, usually as a consequence of registration; (2) protection of that interest is feasible (e.g., because there is an adequately functioning legal system); and (3) it is not too onerous to expect third parties to refrain from using that trademark. An example in the trademark context in which the existence of a conflicting legitimate interest precludes the existence of a right of exclusion is honest concurrent use.⁸⁴ The trademark owner has an interest to be respected—namely, an interest in excluding others from using its trademark or a similar one likely to lead to confusion. However, the law considers it too onerous to require the honest concurrent user to refrain from using a similar trademark that is likely to lead to confusion. Consequently, both have the privilege of using similar trademarks. Note that the privilege granted to the honest concurrent user is dependent upon that user's relationship with the trademark owner and is restricted to that particular user. It is not a privilege granted to the world at large.

In circumstances where a party enjoys the exercise of a privilege *vis-a-vis* another party, there may come a point at which that other

83. Even among theorists who otherwise differ from Raz on certain details of the analysis of rights, the notion that the existence of a duty depends in part on how onerous it would be to fulfill the duty, and also on the strength of any conflicting legitimate interests, is widely accepted. *See, e.g.*, F.M. Kamm, *Does Distance Matter Morally to the Duty to Rescue*, 19 LAW AND PHILOSOPHY 655, 675–77 (2000) (arguing that persons have a legitimate interest in giving weight to their own special concerns and projects, but that this is consistent with a duty to care for those things that are associated with them and are thereby implicated in their own concerns and projects); Jan Narveson, *We Don't Owe Them a Thing! A Tough-Minded but Soft-hearted View of Aid to the Faraway Needy*, 86 MONIST 419, 425, 430 (2003) (arguing that the existence of a posited duty depends upon the costs of fulfilling that duty).

84. *See, e.g.*, *Trade Marks Act 1995* (Cth) s 44(3) (Austl.).

party has a weightier legitimate interest that should be respected and for which it is feasible and not too onerous to require its protection. At that point, a duty may then be owed to that other party. It will then move from having a “no-right” to having a claim right to restrict the exercise of the privilege. In the context of plain packaging, the privilege of use of a tobacco trademark for retail purposes is significantly restricted by government measures. As we will go on to argue, the issue is whether the government has sufficient legitimate interests to underpin a claim right to this effect.⁸⁵ First, however, we need to relate the theoretical analysis above to the text of the TRIPS Agreement.

C. LEGITIMATE INTERESTS, RIGHTS, PRIVILEGES, AND TRIPS

Obviously, the WTO Members did not expressly adopt the approach of contemporary legal theory when it adopted the terms “rights” and “legitimate interests,” but there is considerable evidence to suggest that the Members adopted a similar approach. After all, the legal theorists to whom we have referred did not set out to invent new concepts, but rather to provide a useful analysis of the concepts already used in the law.⁸⁶ It is therefore no surprise that their

85. See discussion *infra* Part IV.G.

86. See, e.g., HOHFELD, *supra* note 59, at 4 (describing his goal as “aid[ing] in the understanding and in the solution of practical, everyday problems of the law”); RAZ, *THE MORALITY OF FREEDOM*, *supra* note 61, at 165 (describing the author’s account of rights, and of the relationship between rights, duties, and interests, as an “attempt to capture the way the term is used in legal, political and moral writing and discourse”). Although Raz’s account of the relationship between rights and duties is distinctive in its analytical clarity, it draws on a philosophical tradition extending back at least to Kant. Compare *id.* at 188–90 (discussing the relationship between his account of rights and the ideal of respect for persons: “Respecting a person consists in giving appropriate weight to his interests [W]e respect others by giving proper weight to their interests [T]he duty of respect for persons . . . is grounded on the intrinsic desirability of the well-being of persons”), and JOSEPH RAZ, *VALUE, RESPECT AND ATTACHMENT* 130, 136 (2001) (characterizing his account of respect for persons as “similar to Kant’s,” and particularly to Kant’s notion of persons as “ends in themselves”), with IMMANUEL KANT, *GROUNDWORK OF THE METAPHYSICS OF MORALS* 36–37 (Allen W. Wood ed., 2002) (1785) (discussing persons as ends in themselves, who therefore impose limits upon our permissible choices, that is, duties, which we have seen correlate, in turn, with rights). Many contemporary theorists who disagree with other aspects of Raz’s legal and moral philosophy nevertheless accept the soundness of his analysis of the relationship between interests, duties, and rights. See, e.g., Jeremy Waldron, *Autonomy and Perfectionism in Raz’s Morality of Freedom*, 62 S. CAL.

accounts should be closely aligned with the WTO's approach to such matters. There is no doubt that the WTO differentiated between the two concepts and employed them both frequently in the drafting of TRIPS; indeed, the terms "rights" and "legitimate interests" appear many times in TRIPS.⁸⁷ The concept of legitimate (commercial) interests appears in the GATT 1947—the precursor to the creation of the WTO.⁸⁸ The term is also used in other WTO agreements.⁸⁹

As already explained, legitimate interests are different from but related to legal rights. In the context of TRIPS, WTO panels and Appellate Body have considered their nature on two notable occasions. In *Canada – Patent Protection of Pharmaceutical Products*,⁹⁰ the Panel considered whether an exception to the rights of a patent owner complied with Article 30 of TRIPS, which requires a consideration of the legitimate interests of right holders and those of third parties.

The Panel had this to say on the concept:

7.70 The negotiating history of the TRIPS Agreement itself casts no further illumination on the meaning of the term "legitimate interests," but the negotiating history of Article 9(2) of the Berne Convention, from which the text of the third condition was clearly drawn, does tend to affirm the Panel's interpretation of that term. With regard to the TRIPS negotiations themselves, the meaning of several important drafting changes turns out to be equivocal upon closer examination. The negotiating records of the TRIPS Agreement itself show that the first drafts of the provision that was to become Article 30 contemplated authorizing "limited exceptions" that would be defined by an illustrative list of exceptions - private use, scientific use, prior use, a traditional exception for pharmacists, and the like. Eventually, this illustrative list approach was abandoned in favour of a more general authorization

L. REV. 1097, 1101 (1989) ("*The Morality of Freedom* also has two excellent chapters on how to understand the concept of individual rights. These chapters . . . present what has become known as the Interest Theory of rights [T]he Interest Theory provides the best account we have of the language of rights in political philosophy.").

87. See, e.g., TRIPS Agreement arts. 13, 17, 26, 30, 31, 34.

88. General Agreement on Tariffs and Trade, arts. X(1), VXII(4)(d), Oct. 30, 1947, 61 Stat. A-11, 55 U.N.T.S. 194 [hereinafter GATT].

89. See, e.g., TRIPS Agreement arts. 13, 17, 26, 30, 31, 34; GATT arts. X(1), XVII(4)(d); TBT Agreement art. 5.2.4; TRIMs Agreement art. 6; SPS Agreement arts. Annex B(1)(b), Annex C(1)(d), 1995.

90. Panel Report, *Canada – Patent Protection of Pharmaceutical Products*, WT/DS114/R (Mar. 17, 2000).

following the outlines of the present Article 30. The negotiating records of the TRIPS Agreement give no explanation of the reason for this decision.

7.71 The text of the present, more general version of Article 30 of the TRIPS Agreement was obviously based on the text of Article 9(2) of the Berne Convention. Berne Article 9(2) deals with exceptions to the copyright holder's right to exclude reproduction of its copyrighted work without permission. The text of Article 9(2) is as follows:

“It shall be a matter for legislation in the countries of the Union to permit the reproduction of [literary and artistic] works in certain special cases, provided that such reproduction does not conflict with a normal exploitation of the work and does not unreasonably prejudice the legitimate interests of the author.”

The text of Berne Article 9(2) was not adopted into Article 30 of the TRIPS Agreement without change. Whereas the final condition in Berne Article 9(2) (“legitimate interests”) simply refers to the legitimate interests of the author, the TRIPS negotiators added in Article 30 the instruction that account must be taken of “the legitimate interests of third parties”. Absent further explanation in the records of the TRIPS negotiations, however, the Panel was not able to attach a substantive meaning to this change other than what is already obvious in the text itself, namely that the reference to the “legitimate interests of third parties” makes sense only if the term “legitimate interests” is construed as a concept broader than legal interests.⁹¹

7.73 In sum, after consideration of the ordinary meaning of the term “legitimate interests” as it is used in Article 30, the Panel was unable to accept the EC's [European Communities'] interpretation of that term as referring to legal interests pursuant to Article 28.1. Accordingly, the Panel was unable to accept the primary EC argument with regard to the third condition of Article 30. It found that the EC argument based solely on the patent owner's legal rights pursuant to Article 28.1, without reference to any more particular normative claims of interest, did not raise a relevant claim of non-compliance with the third condition of Article 30.⁹²

In *European Communities – Protection of Trademarks and Geographical Indications for Agricultural Products and Foodstuffs*, the Panel stated that it agreed with the panel's view in *Canada – Patent Protection of Pharmaceutical Products* that, in the context of

91. *Id.* ¶¶ 7.70–7.71.

92. *See id.* ¶ 7.73.

trademarks, the term “legitimate interest . . . must be defined as it is often used in legal discourse—as a normative claim calling for protection of interests that are “*justifiable*” in the sense that they are supported by relevant public policies or other social norms.”⁹³ The quotes from these WTO panels state a view of legitimate interests that is very similar, if not identical, to the normative claim calling for protection of interests that are identifiable by reference to public policies or social norms.

The interesting point relating to TRIPS is that it is clearly the case that for every provision that expressly uses the term “legitimate interests” in Part II of TRIPS dealing with the availability, scope, and use of intellectual property rights, the concept of legitimate interests is used to help define the scope of an intellectual property right or rights by helping to ascertain the nature of the rights and carve out the exceptions to what is expressly stated to be a right or rights.⁹⁴ This approach is entirely consistent with the proposition that the existence of a legitimate interest may suggest the desirability of a duty and thus result in the existence of a right. In other words, in terms of rights theory, the scope of the legitimate interest assists in establishing the scope of the right. There is no justification for a right that goes well beyond the legitimate interest of the right holder, and so the right that is expressed is subject to limitation by reference to that principle.⁹⁵

In addition, a number of the TRIPS provisions refer to the legitimate interests of parties other than right holders. These legitimate interests are also relevant to the process of defining allowable exceptions to the exclusive rights of intellectual property holders. Examples of the approach to legitimate interests in TRIPS

93. *European Communities – Trademarks and Geographical Indications*, *supra* note 57, ¶ 7.663 citing Panel Report, *Canada – Patent Protection of Pharmaceutical Products*, WT/DS114/R (Mar. 17, 2000) ¶ 7.69 (emphasis added). The emphasis is added here because TRIPS Agreement Article 20 refers to encumbrances by special requirements that are unjustifiable. While intellectual property law itself provides no significant contribution to the concept of “unjustifiability” in the context of Article 20, the discussion of rights, privileges, and legitimate interests most assuredly does.

94. *See* TRIPS Agreement arts. 13, 17 (providing “limited exceptions to the rights conferred by a trademark, such as fair use of descriptive terms”).

95. *See generally* RAZ, *THE MORALITY OF FREEDOM*, *supra* note 61, at 184 (discussing the relationship between interests and the scope of rights).

are easy to find. For example, Article 13, which relates to copyright, provides that “[m]embers shall confine limitations or exceptions to exclusive rights to certain special cases which do not conflict with a normal exploitation of the work and do not unreasonably prejudice the legitimate interests of the right holder.”⁹⁶ In the context of Article 13, the legitimate interests of third parties are not considered, but the situation alters when considering Article 30, which concerns patents: “Members may provide limited exceptions to the exclusive rights conferred by a patent, provided that such exceptions do not unreasonably conflict with a normal exploitation of the patent and do not unreasonably prejudice the legitimate interests of the patent owner, taking account of the legitimate interests of third parties.”⁹⁷ In the context of registered designs, as with patents, both the legitimate interests of right holders and third parties are relevant in Article 26(2):

Members may provide limited exceptions to the protection of industrial designs, provided that such exceptions do not unreasonably conflict with the normal exploitation of protected industrial designs and do not unreasonably prejudice the legitimate interests of the owner of the protected design, taking account of the legitimate interests of third parties.⁹⁸

For the sake of completeness and because it will be referred to later, Article 17 which relates to exceptions to trademarks states, “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 of third parties.”⁹⁹

Article 17 takes into account both the interests of third parties and the interests of a trademark owner in a manner that is far more deferential to the interests of third parties than the other exception clauses. For example, there is no reference to unreasonable prejudice of legitimate interests or normal exploitation of the trademark or even “certain special cases.”

In terms of rights theory, this approach in TRIPS to the legitimate

96. TRIPS Agreement art. 13.

97. *Id.* art. 30.

98. *Id.* art. 26(2).

99. *Id.* art. 17.

interests of third parties makes perfect sense. The legitimate interests of the third parties are a basis for considering whether there exists a right to exclude others from using copyrighted or patented subject-matter, designs, and trademarks. A right exists when the balance of reasons requires others to respect the putative right holder's interest in excluding others' use. If others also have legitimate interests, these interests are the basis of the argument that it is not reasonable to confer the claim right to exclude use by those others in circumstances where the exercise of that right would unduly impinge on their legitimate interests.

In the context of the above exceptions, if an exception to the right is created, the right holders still have the privilege of using their copyright material, their patented invention, their registered design, or their trademark in the circumstances identified by the exception, but they do not have a claim right to prevent others from doing so. However, while exceptions to the exclusive rights simply expand the number of traders who may have the privilege of use in the circumstances identified by the exception, the privilege of using the intellectual property in question is also subject to government regulation. We now turn to this point.

IV. A GOVERNMENT'S POWER AT INTERNATIONAL LAW TO RESTRICT THE PRIVILEGE OF USE OF TRADEMARKS

One of the critical issues in the interpretation of TRIPS is the extent to which governments may restrict the privilege of using trademarks even though they may still acknowledge the right to exclude and a right to registration. The starting point from an international legal perspective is that, absent international agreements to the contrary, a sovereign government enjoys untrammelled power to make a determination via its own internal processes that its legitimate interests justify it asserting a claim right to the non-use of a trademark owner's intellectual property.¹⁰⁰ A

100. International agreements are of course not the only source of international law, but no one has argued that there are principles of customary international law which prohibit restricting trademarks owners from using their trademarks. And while there may be internal limitations on government power imposed by constitutional restrictions, that is a matter for the domestic jurisdiction of each

government may thereby impose a duty upon the trademark owner not to use intellectual property, correlative with the asserted right. As a government has an untrammelled power to confer such a right upon itself, the privilege holder is liable to the exercise of that power.¹⁰¹ Hence, the duty that correlates with the right can be and is imposed. A shorthand way of expressing this proposition is that a government has the power to impose a duty on its corporate and personal citizens, in this case a duty not to use the intellectual property in question.

Once a state becomes a party to a binding international agreement such as TRIPS, some of this power may be foregone. For instance, a government may voluntarily surrender its power to impose certain sorts of duties upon the owners of intellectual property rights. It may also surrender its power to determine the scope of its legitimate interests using only its own internal processes, and thereby surrender the power to determine the rights that it may assert on the basis of those interests.¹⁰² If, in this fashion, a government has surrendered some of its otherwise complete power to assert the existence of an

nation. In addition, the process by which a government identifies the legitimate interests that it considers relevant and defines the rights that it confers upon itself is also a matter for the internal political processes of the nation in question. In Australia's case, these processes are those of a representative democracy, and are underpinned by the Constitution. AUSTRALIAN CONSTITUTION ss 7, 24 (ensuring popular election of the parliament); *id.* s 64 (ensuring the accountability of the executive government to the parliament). The language of "assertion" does not imply arbitrariness. In Australia, discussion of plain packaging occurred over a number of years. In 2008 the government established a National Preventative Health Taskforce, which recommended plain packaging in its report. *Australia: The Healthiest Country by 2020*, *supra* note 41, at 17–18. The then government accepted the recommendation, *Taking Preventative Action – A Response to Australia: The Healthiest Country by 2020*, NAT'L PREVENTATIVE HEALTH TASKFORCE 65–67 (2010), and made an election promise to implement it. The issue was discussed widely during the relevant election campaign for 2010. After the election, the legislation was passed with bi-partisan political support and the almost unanimous support of every member of both houses of parliament. Cth, Parliamentary Debates, Senate, 10 Nov. 2011, 8917 (Concetta Fierravanti-Wells, Senator) (Austl.) (highlighting, in the third and final reading of the legislation in the Australian Senate, that the legislation enjoyed the support of all political parties and most independents in the two houses of parliament, and as a result, would pass on the voices without a formal vote in Parliament).

101. See HOHFELD, *supra* note 59, at 23–27 (explaining that one party's enjoyment of a power must correlate with one or more other parties being liable to having their legal relations changed by exercise of the power in question).

102. See discussion *infra* Part IV.B (citing Article 20 of TRIPS as an example of this).

interest that, in turn, justifies the imposition of a duty, it nevertheless retains all power other than that which it has surrendered by way of the relevant agreement. Partly for that reason, one principle of treaty interpretation is that where there is ambiguity about the meaning of an international agreement, the ambiguity is resolved in favor of the proposition that governments have retained their power and the obligations of governments under the agreement will be construed narrowly.¹⁰³

The effect of the plain packaging legislation upon the use of registered designs and patents pertaining to tobacco packaging provides an example of the exercise of governmental power to prevent the use of intellectual property rights by imposing a duty of non-use.¹⁰⁴ The requirement to sell tobacco in plain packaging means

103. See *Frontier Between Turkey and Iraq*, Advisory Opinion, 1925 P.C.I.J. 25 (ser. B) No. 12, at 25 (Nov. 21) (stating the principle *in dubio mitius*: “If the wording of a treaty provision is not clear, in choosing between several admissible interpretations, the one which involves the minimum of obligations for the parties should be adopted”); Appellate Body Report, *European Community – Measures Concerning Meat and Meat Products (Hormones)*, ¶ 165, WT/DS26/AB/R (Jan. 16, 1998) (asserting that in applying the interpretive principle of *in dubio mitius*, an interpreter cannot “lightly assume that sovereign states intended to impose upon themselves the more onerous, rather than the less burdensome, obligation by mandating [in that particular case] *conformity or compliance with* such standards, guidelines and recommendations”) (approving OPPENHEIM’S INTERNATIONAL LAW 1278 (Robert Jennings & Arthur Watts eds., 9th ed. 1992) (“The principle of *in dubio mitius* applies in interpreting treaties, in deference to the sovereignty of states. If the meaning of a term is ambiguous, that meaning is to be preferred which is less onerous to the party assuming an obligation, or which interferes less with the territorial and personal supremacy of a party, or involves less general restrictions upon the parties.”)); see also *Nuclear Test Case* (Austl. V. Fr.), 1974 I.C.J. 267 (May 9); *Access of Polish War Vessels to the Port of Danzig*, Advisory Opinion, 1931 P.C.I.J. (ser. A/B) No. 43, at 142 (Dec. 11); *Case Concerning the Interpretation of the Air Transport Services Agreement Between the United States of America and France*, 16 R.I.A.A. 5 (Arb. Trib. 1963); Haochen Sun, *A Wider Access to Patented Drugs Under the Trips Agreement*, B.U. INT’L L.J. 101, 132 (explaining the principle *in dubio mitius*, which holds that it cannot be presumed that a treaty is designed to place restrictions upon a state’s sovereignty as an independent state, as states can only be taken to have consented to such restrictions to the extent explicitly stated in the treaty).

104. See, e.g., *AU Designs Data, Registration AU 323481 S, Design Number 2008152*, IP AUSTRALIA (representing a “Ribbed pack” owned by British American Tobacco (Investments) Ltd.); *AusPat Application Details, 2001258572: Smoking Article Packaging*, IP AUSTRALIA, (representing a patent for “Smoking article packaging” owned by British American Tobacco (Investments) Ltd.); *AusPat Application Details, 2007202891: Pack for Smoking Articles*, IP

that these designs and patents cannot be used at all; the privilege of using them in retail packaging of tobacco is taken away by the legislation. No doubt owners of registered designs registered them in order to use them, and owners of patents paid the substantial costs of registration (and the even greater costs of professional assistance to do so) in order to do the same thing.¹⁰⁵ However, while TRIPS clearly envisages that patented subject matter be used, at least in the context of certain sorts of relationships between patent owners and other traders,¹⁰⁶ TRIPS imposes very little restriction on the power of governments to regulate the privilege of use, even though the duration of the owner's rights of exclusion is limited in time and a "temporary" ban on use can exist for the entire duration of that right

AUSTRALIA (representing a patent for a "Pack for smoking articles" owned by British American Tobacco (Investments) Ltd.).

105. See Frankel & Gervais, *supra* note 52, at 1185 (asserting that "people do not register trademarks to obtain a certificate from a government; they register them because they are using the trademark in commerce (or intend to)"). However, the conduct of tobacco companies operating in Australia demonstrates that they do value the right of exclusion that flows from registration, even in the absence of a privilege of use. In 2005, British American Tobacco Australia Ltd and Philip Morris (Australia) Ltd gave court-enforceable undertakings to the Australian Competition and Consumer Commission not to use "light" and "mild" descriptors from all cigarettes produced for Australian consumers. See Undertaking to the Australian Competition and Consumer Commission Given for the Purposes of Section 87B of the Trade Practices Act of 1974 by British American Tobacco Australian Limited ACN, 000 151 100 (2005). Despite being legally bound not to use these descriptors since 2005, both companies have since renewed numerous Australian trademarks containing those descriptors. *E.g.*, PJ PETER JACKSON EXTRA MILD, Registration No. 598946 (renewing Australian trademarks containing such descriptors in 2010); ROTHMANS SPECIAL MILD R, Registration No. 466640 (registering Trade Mark 466640, which contains the word "mild," in 2008); HI-LITE, Registration No. 1097625 (registering Hi-Lite in 2006 despite being aware that use of such a trade mark would immediately draw regulatory action for misleading or deceptive conduct in trade or commerce contrary to the then s 52(1) of the Australian *Trade Practices Act 1974*); *Trade Practices Act 1974* (Cth) s 52(1) (Austl.) (banning any corporation engaged in trade or commerce to deploy "conduct that is misleading or deceptive").

106. See TRIPS Agreement art. 31 (containing detailed provisions permitting compulsory licenses where a trader is unable to obtain a license from a patent owner on reasonable commercial terms, including particularly detailed provisions to ensure that the owner of a patent which relies on an earlier patent in order to be worked can use the subject matter of that earlier patent). This shows that it is the intention of TRIPS that patented subject matter be used, at least in the context of certain sorts of relationships between patent owners and other traders.

to exclude use by others.¹⁰⁷ TRIPS does impose some obligations on governments to register designs and patents and thereby deprives them of the power to refuse registration in the circumstances prescribed by TRIPS,¹⁰⁸ but altering governments' powers in these ways does not in itself limit their power to regulate the privilege of use.

However, TRIPS imposes some limits on the power of governments to impose a duty of non-use of designs and patents. For example, any prohibition on use must not discriminate on a national basis due to the national treatment requirements of TRIPS.¹⁰⁹ A government has a power to prohibit the use of designs and patents, but not to selectively prevent the use of foreign designs and patents. The plain packaging legislation applies to all designs and patents equally and does not discriminate in this manner.

The rights of exclusion conferred on trademark owners by Articles 16 and 2 support an exclusive privilege of trademark use for registered trademark owners and owners of well known trademarks. As with the rights of exclusion associated with designs and patents, however, these rights to exclusion do not tell us anything about the extent to which governments can curtail that privilege of use, including by imposing a duty on the trademark owner not to use a trademark other than in the manner stated by law,¹¹⁰ or to refrain from using the trademark altogether.¹¹¹ The fact that a government, by entering into an international agreement, has surrendered one aspect of the power that it would otherwise enjoy to impose duties of non-use upon trademark owners does not mean that it has surrendered other aspects of that power. Similarly, the proposition that trademark owners register trademarks so that they may use the trademarks does not in itself mean that governments are required to permit the trademarks' use.

107. See TRIPS Agreement arts. 26(3), 33 (providing for a period of protection of ten years for industrial designs in Article 26(3) and twenty years for patents in Article 33).

108. *Id.* arts. 25, 27.

109. *Id.* arts. 1(3), 3.

110. See, e.g., TPP Act 2011 s 20; TPP Regulations reg 2.4.1 (imposing a duty relating to the manner of use of word trademarks on the retail packaging of tobacco).

111. See, e.g., TPP Act 2011 s 20 (imposing a duty not to use non-word trademarks on the retail packaging of tobacco).

From a trademark owner's perspective, losing the privilege of using a trademark may have the effect of depriving them of what they perceive to be the primary benefit of the right to exclude others, namely, their exclusive privilege of using the trademark. However, simply stating this outcome from the trademark owner's perspective does not mean that the right to exclude confers not only an exclusive privilege of use, but also a right to use (with TRIPS imposing a corresponding duty on the government to permit that use). Nor does it explain the circumstances in which, consistently with the TRIPS regime, that privilege may be defeasible in the sense of being subject to a claim right of some third party to prevent the exercise of the privilege.

The distinction between a right and a privilege is crucial, as is the proposition that Hohfeld's analysis concerns relationships. For example, there is a very big difference between governments authorizing third parties to use trademarks, thereby conferring on those third parties a privilege of use that impinges on the right of exclusion, and governments limiting the use of trademarks by anyone, including trademark owners, in particular circumstances. The obligation under TRIPS to provide a right of exclusion is obviously an international legal restriction on the power of government to confer privileges on third parties to use trademarks.¹¹² However, the existence of a right of exclusion tells us nothing about the nature and extent of the power that a government might continue to possess to affirm its legitimate interests that justify its right that certain signs not be used, and hence its imposition by way of legislation of a duty not to use either signs or trademarks. For that purpose, the relevant focus is not on a general concept of "ownership" of trademarks. Nor is it on the importance of private property.¹¹³ The focus must be on the relationship between

112. TRIPS Agreement art. 16.1.

113. See *id.* pmb. (relevantly stating, "*Desiring* to reduce distortions and impediments to international trade, and taking into account the need to promote effective and adequate protection of intellectual property rights, and to ensure that measures and procedures to enforce intellectual property rights do not themselves become barriers to legitimate trade *Recognizing* that intellectual property rights are private rights [and *r*]ecognizing the underlying public policy objectives of national systems for the protection of intellectual property, including developmental and technological objectives"). There is nothing in the Preamble or Part I of TRIPS that elevates the principle of protection of private property above

government and the trademark owner and the connection between that relationship and the grounds for the limitation of the privilege, within the overall framework of the TRIPS regime.

A. A GOVERNMENT'S POWER TO RESTRICT THE PRIVILEGE OF USE OF A TRADEMARK PRIOR TO TRIPS

Prior to becoming parties to TRIPS, governments enjoyed an unlimited power to restrict the use of trademarks within their jurisdictions in precisely the manner described above. Those writing on behalf of tobacco companies or at the request of tobacco companies have made claims of varying degrees to the contrary.¹¹⁴ These claims have been based on the proposition that adherence to the Paris Convention necessarily imposed an international legal requirement on governments to acknowledge a right of use. In turn, these claims have been based on provisions of the Paris Convention that require registration in certain circumstances. As we have already

other principles. If anything, the reverse is the case, with private property rights protected only to the extent that they serve other principles, such as avoiding distortions and impediments to international trade or the objectives set out in Article 7. In that sense, TRIPS adopts an instrumentalist approach to intellectual property rights.

114. See Alan Bennett, *Submission on Plain Tobacco Packaging (Removing Branding from Cigarette Packs) Bill 2009*, TOBACCO LABELS ¶ 10.1 (2009), available at <http://www.tobaccolabels.ca/wp/wp-content/uploads/2013/12/Bennett-on-Plain-Tobacco-Packaging-Bill-2009-2010.pdf> (“The Bill prohibits the use and monopoly rights otherwise conferred on tobacco manufacturers by Australian intellectual property law. Australian and overseas right owners are adversely affected. The Bill is therefore in breach of the Paris Convention.”); Memorandum from LALIVE to Phillip Morris Management, *Why Plain Packaging Is in Violation of WTO Members International Obligations Under TRIPS and the Paris Convention* ¶ 3 (July 19, 2009), available at http://www.smoke-free.ca/plain-packaging/documents/industry-responses/LALIVE_Analysis_23_July_2009.pdf [hereinafter Memorandum from LALIVE] (“Plain packaging measures would however constitute a severe infringement on the right of tobacco trademark owners to use their legally registered trademarks.”); *id.* ¶ 6 (“The essence of a trademark is therefore the right of the trademark owner to apply [its trademark] to a product or its packaging.”); *id.* ¶ 16 (“Plain packaging would be inconsistent with a Member State’s obligations under TRIPS and the Paris Convention.”). Citing Bennett *supra* and Memorandum from LALIVE *supra*, Gervais argued, “In summary, there may be legitimate differences of opinion as to whether a plain packaging measure accords with Article 6*quinquies* and Article 7 of the Paris Convention.” Daniel Gervais, *Analysis of the Compatibility of Certain Tobacco Product Packaging Rules with the TRIPS Agreement and the Paris Convention*, ¶ 68 (Nov. 30, 2010) [hereinafter Gervais, *Compatibility of Certain Tobacco Product Packaging Rules*].

explained, Paris and TRIPS confer a right to registration in certain circumstances and a right of registration carries with it a right of exclusion.¹¹⁵ As we have also explained, Paris also confers a right of exclusion on owners of well-known trademarks in certain circumstances.¹¹⁶

These arguments that a right to use necessarily exists as a consequence of a right of exclusion face the fundamental theoretical flaw that they do not differentiate between a right to exclude others from using something and a privilege of using that same thing. At this point, we should address the argument that a prohibition on use deprives a trademark owner of the “enjoyment” of its right to exclude third parties from using its trademark.¹¹⁷ The issue is addressed relatively easily. The way to enjoy the right to stop other traders from using a trademark is to stop them from using that trademark.¹¹⁸

The way to enjoy a privilege of using a trademark is to use the trademark. Other traders will not have a claim right to prevent the enjoyment of that privilege although they may, in limited circumstances, also share the privilege of using a trademark.

Whether a trademark owner can enjoy that privilege will depend on whether governments have a power to restrict the privilege of use, and have exercised that power. As explained above, the starting point at international law is that governments do enjoy such a power, and there is nothing in the Paris Convention that removes it. The attempt to conflate the right to exclude with the privilege of use, and thereby conjure into existence a right of use that is binding upon governments, is a reflection of a failure to appreciate three relevant factors: (1) the distinction between a right and a privilege; (2) the circumstances in which either or both can be affected by the different legitimate interests of different third parties in different relationships

115. See discussion *supra* Part III.A.

116. See generally TRIPS Agreement art. 16(2)–(3) (expanding the scope of the right of exclusion conferred on owners of well-known trademarks).

117. See Request for Consultations by Ukraine, *Australia – Tobacco Plain Packaging*, *supra* note 1 (arguing at the WTO that plain packaging adversely affects the “enjoyment” of the right of exclusion); Request for Consultations by Honduras, *Australia – Tobacco Plain Packaging*, *supra* note 1.

118. See, e.g., TRIPS Agreement pt. III (dedicating an entire section to enforcement).

with different trademark owners; and (3) the way in which an international agreement might address these distinct facets of an intellectual property regime. This attempt to conflate the right to exclude with the privilege of use is based on a trademark owner's centric perspective that focuses only on how any restraints are perceived by trademark owners.

The same argument applies in relation to the "enjoyment" of the right to prevent use by others of well known, unregistered trademarks.¹¹⁹ One cannot bootstrap a right to exclude others from using a well known trademark into a right to use a well known trademark sufficiently to maintain its well known status. Once again, a privilege of using the well known trademark exists, but it is subject to the same power of government to assert a claim right to prevent the exercise of that privilege on the basis of the government's legitimate interests.¹²⁰

With regard to the Paris Convention, legal representatives for major tobacco companies put it bluntly to the World Intellectual Property Organization ("WIPO") many years ago that the Paris Convention prevented plain packaging because of the "enjoyment" of the right to registration argument.¹²¹ WIPO's response was equally blunt and directly denied the proposition.¹²² In addition, the idea of inserting a right to use in Paris was discussed and dismissed in the 1950s.¹²³ The attempt to combine an entitlement to enjoy the right of

119. See *Trade Marks Act 1995* (Cth) ss 44, 60, 62A (Austl.) (preventing anyone other than the true owner from registering a well known tobacco trademark or a similar trademark).

120. See discussion *infra* Parts IV.B, IV.E.4.

121. See Mark Davison, *Plain Packaging and the TRIPS Agreement: A Response to Professor Gervais*, 23 AUSTL. INTELL. PROP. J. 160, 164 (2013) (arguing that "[t]he spirit and letter of Paris is that the registration of trademarks is regulated by Paris but the allowance or disallowance of use of registered trademarks is a matter for sovereign nations").

122. Letter from Ludwig Baeumer to Ralph Oman (Aug. 31, 1994), available at <http://legacy.library.ucsf.edu/tid/brs60d00/pdf> ("[C]ountries party to the Paris Convention remain free to regulate or prohibit the sale of certain types of goods, and the fact that a mark has been registered for such goods does not give the right to the holder of the registration to be exempted from any limitation or prohibition of use of the mark decided by the competent authority of the country where the mark is registered.").

123. Gervais, *Compatibility of Certain Tobacco Product Packaging Rules*, *supra* note 114, ¶ 66.

exclusion with the privilege of use to change or bolster the nature and extent of the privilege of use is, therefore, something that we reject. It has no foundation in the text of the relevant agreements and is an expression of conceptual confusion.

B. ARTICLE 20 AND THE POWER TO PREVENT USE

There is no doubt that Article 20 restricts to some extent the power of a government to limit the privilege of use. It requires that encumbrances on use of a trademark by special requirements not be unjustifiable.¹²⁴ As was suggested above, this is, therefore, a situation in which a government has surrendered, by way of international agreement, some of its power to determine, by way of its own internal processes, the scope of its legitimate interests, and hence the rights that it may assert on the basis of them. Article 20 removes the process of determining whether a government has a legitimate interest in claiming a right to prevent use from the exclusively internal processes of that government, and makes the justification of the right asserted subject to scrutiny at the international level by the WTO.¹²⁵

It seems that all commentators on the point agree that the specific requirements for the particular use of word trademarks imposed by the plain packaging legislation are subject to Article 20 and therefore must be justifiable.¹²⁶ If Article 20 goes further and restricts the

124. See TRIPS Agreement art. 20 (listing requirements that could constitute unjustifiable encumbrances, such as “use with another trademark, use in a special form or use in a manner detrimental to its capability to distinguish the good or services of one undertaking from those of other undertakings”).

125. TRIPS Agreement art. 20.

126. See 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 PUBLIC HEALTH AND PLAIN PACKAGING OF CIGARETTES: LEGAL ISSUES 81, 106 (Tania Voon, Andrew Mitchell & Jonathan Liberman eds., 2012) [hereinafter Davison, *The Legitimacy of Plain Packaging*] (noting that the concept of “an encumbrance by special requirements” must be narrower than the concept of “an encumbrance,” and hence that the straightforward prohibition of non-word trademarks “limits the inquiry as to what encumbrances needs to be justified under Article 20” to those specifying the manner of use of word trademarks); Gervais, *Compatibility of Certain Tobacco Product Packaging Rules*, *supra* note 114, ¶¶ 32, 34 (arguing how the Article 20 requirements are key in deciding whether plain packaging measures are in compliance with TRIPS).

power of government to prevent the use of non-word trademarks on the basis that a prohibition on use is also an encumbrance by special requirements,¹²⁷ the question remains as to what constitutes a justifiable encumbrance or, more literally, what unjustifiably encumbers by special requirements the use of trademarks in the course of trade. In turn, the issue of justifiability determines the scope of TRIPS's protection of the privilege of use. Our contention is that an encumbrance of this sort is justified when it is supported by the internationally recognizable legitimate interests of a government sufficient to defeat what would otherwise be the privilege of use, and is thereby sufficient to ground a claim right on the part of the government that a trademark not be used. The legitimate interests that support such a claim right in the context of plain packaging are discussed below.¹²⁸

C. A POSITIVE ENTITLEMENT TO USE ARGUMENT

A variation on the distinction between a right and a privilege is advanced by Frankel and Gervais as a basis for rejecting an interpretation along the lines we have advanced. Frankel and Gervais claim, instead, that Article 20 provides a strong, positive entitlement to use trademarks.¹²⁹ We use the general term "entitlement" because the precise nature of the entitlement is difficult to discern. Frankel

127. See Davison, *The Legitimacy of Plain Packaging*, *supra* note 126, at 94 (arguing that encumbrances by special requirements are positive requirements relating to use and not to partial or total bans).

128. See discussion *infra* Part IV.G.

129. Frankel and Gervais no longer assert a right to use, but something that is nearly a right, but more than a privilege. See generally Frankel & Gervais, *supra* note 52. However, previous publications had asserted that there is a right to use a trademark under Article 20. See, e.g., Gervais, *Compatibility of Certain Tobacco Product Packaging Rules*, *supra* note 114, ¶ 33 ("The first sentence of Article 20 seems to imply a 'right to use' a trademark because otherwise there would be no need to cabin the power of WTO Members to 'encumber' such use."); Bennett, *supra* note 114 (asserting that there is a right to use a trademark under Article 20); Memorandum from LALIVE, *supra* note 114 (same). Gervais argued in, DANIEL GERVAIS, *THE TRIPS AGREEMENT: DRAFTING HISTORY AND ANALYSIS* ¶ 2.278 (4th ed. 2012) [hereinafter GERVAIS, *TRIPS DRAFTING HISTORY AND ANALYSIS*, 4th Edition], however, that "TRIPS art. 20 seems to contain a right not to be encumbered and a justification defence." *Id.* If an encumbrance includes a prohibition on use, the "right" in this context then becomes a right not to be prohibited from using a trademark, which is a right of use expressed by way of a double negative.

and Gervais describe the entitlement as something more than a privilege but less than a right.¹³⁰

The simple proposition that Article 20 confers no claim right to use a trademark is replaced by a beguilingly complex proposition. This proposition starts with the statement that Article 20 protects a privilege that can be called a legitimate interest to use a trademark.¹³¹ How it can be called that is not entirely clear.¹³² Frankel and Gervais equate a “legitimate interest” with a privilege because the former is the term used in TRIPS.¹³³ They then state that a “legitimate interest” is something more than a privilege but possibly less than a right.¹³⁴

The entitlement of a trademark owner to positive use of its trademark is placed on a spectrum of rights and privileges. At the one end of this spectrum is an absolute right to use a trademark, and at the other end is a privilege of use, which may be subject to severe government restrictions.¹³⁵ Frankel and Gervais consider the entitlement of a trademark owner to lie toward the “right” end of the spectrum, creating a strong, positive entitlement to use a trademark

130. Frankel & Gervais, *supra* note 52, at 1190 n.180 (arguing for a “continuum perspective” according to which “Hofheldian privileges in which the property owner might claim legitimate interests are somewhere between the two extreme (all or nothing) approaches,” and arguing further that “legitimate interests are more positive than privileges”).

131. *See id.* at 1194 (arguing that Article 20 protects a trademark from certain encumbrances, and therefore, registration of a trademark may reflect a legitimate interest to use the trademark).

132. *See* discussion *supra* Part III.B (explaining why there is no reason to equate the concepts of privilege and legitimate interest).

133. *See* Frankel & Gervais, *supra* note 52, at 1190 (acknowledging that “legitimate interest” is used in the TRIPS Agreement and arguing that it is a broad term such that all rights are legitimate interests, but not all legitimate interests are rights).

134. *See id.* at 1190 n.180 (“In this continuum, privileges and legitimate interests are somewhere in between the two extremes of all or nothing approaches that are outlined above. While exclusion purists might disagree, in the authors’ view legitimate interests are more positive than privileges. By stating that trademark owners have legitimate interests, the TRIPS Agreement thus says more than that third parties cannot interfere with use by the owner. A legitimate interest can coexist with a right—that is, a right is a legitimate interest, but not all legitimate interests are rights.”).

135. *See also id.* at 1212 (stating that an absolute use is unrealistic and an absolute ban would render the right to exclude—i.e., the negative right—irrelevant).

but not an absolute right to use.¹³⁶ Consequently, their approach is described as a “middle ground.”¹³⁷

This “middle-ground” positive entitlement to use would be defeasible only if a government can justify the encumbrance on use.¹³⁸ In the end, the argument is that the legitimate interest to use a trademark imposes a very significant duty on governments not to interfere with use.¹³⁹ It includes a duty not to prevent use for public health reasons unless the prevention of use is necessary for public health within the meaning of Article 8(1).¹⁴⁰ This view of the role of Article 8(1) is based, in part, on the proposition that intellectual property law and trademark laws especially do not have a widely recognized concept of “justifiability,” at least in this context.¹⁴¹ Some national laws prohibit unjustifiable threats of trademark infringement, but for the purposes of Article 20, that is not the relevant justification. TRIPS provides an express justification if measures are necessary for public health within the meaning of Article 8(1) and are consistent with the other provisions of TRIPS.¹⁴² Consequently, if public health concerns are the only justification

136. *Id.*

137. *See id.* at 1198 (discussing the “middle ground” pertaining to the legitimate interests of trademark owners who are said to possess positive legitimate interests).

138. *See id.* at 1206 (asserting that an encumbrance may be justified if it is in the public interest and supported by evidence).

139. *See id.* at 1197 (arguing that the limitations on trademark owners’ rights do not show that there is never a right or legitimate interest to use a trademark).

140. *See id.* at 1204 (“It must be borne in mind that both [Articles 8(1) and 8(2)] require that the measure be necessary.”); *id.* at 1213 (“Article 8 and other WTO documents recognize public health as a valid field to take appropriate policy measures (subject to other provisions of the TRIPS Agreement), and tobacco is assuredly a serious public health issue. However, the TRIPS Agreement’s interpretation in this context will impact other areas of trademarks, commerce and probably other intellectual property rights.”); *see also* GERVAIS, TRIPS DRAFTING HISTORY AND ANALYSIS, 4th Edition, *supra* note 129, § 2.277 (directly comparing Article 20 of TRIPS and Article XX of the GATT, which refers to measures “necessary to protect . . . human health”); *id.* § 2.278 (stating that “[f]acially, TRIPS art. 20 is closer to GATT art. XX(d) than to art. 2.2 TBT” and there is therefore no obligation on the complainant to prove the existence of less restrictive alternative measures). Both paragraphs (b) and (d) of Article XX of GATT refer to necessity, but as we have noted, TRIPS Article 20 does not.

141. *See generally* Gervais, *Compatibility of Certain Tobacco Product Packaging Rules*, *supra* note 114, ¶¶ 73–87.

142. TRIPS Agreement art. 8(1).

advanced for the plain packaging legislation, the onus is said to be on the Australian government to prove that the measures are, in fact, necessary for public health within the meaning of that expression in Article 8(1).¹⁴³ At this point, it is hard to conclude that anything other than a right to use is being discussed. After all, how can there be a duty on a government not to prevent use but for public health reasons, unless there is a correlative right to use a trademark? Since it has been proposed, however, the spectrum argument needs to be addressed.

We utterly reject the spectrum approach to rights and privileges. There is a critical distinction to be made between these two modes of entitlement. The spectrum approach is simultaneously too complicated and too simple. It is too complicated because of the convoluted and not entirely transparent process by which it concludes that there is a spectrum and where trademark owner's entitlements land on that spectrum. It is too simple because it ignores

143. Frankel & Gervais, *supra* note 52, 1205–06. The precise role of Article 8(1) in Frankel and Gervais' approach is not entirely clear, but it seems that they are proposing that a test of necessity for public health applies to justifiability under Article 20. For example, see the reference to "necessity" *supra* note 140. They quote the *EC – Asbestos* report where the panel was considering the issue of whether the measures were necessary for human health within the meaning of the GATT. Frankel & Gervais, *supra* note 52, at 1209. In addition, specific reference is made to the need of a complainant to demonstrate both that the measures are more restrictive than necessary and that there are "adequate alternative measures" under Article 2.2 of the TBT, *id.* at 1207–08, together with the clear statement that, unlike the position with the TBT, the burden of proof is on the respondent in the TRIPS context. *Id.* Further, they state that, "A major difference between the TRIPS Agreement and other WTO instruments that a panel would likely consider is that the TRIPS Agreement (unlike GATT or GATS) contains obligations concerning specific rights of individual right holders and specific boundaries on limitations and exceptions to such rights." *Id.* at 1208. They go on to argue that "those boundaries are defined throughout the agreement where exceptions and limitations must meet *specific tests* (arts. 13, 17, 30), *specific criteria* (arts. 27.2, 27.3 and 31), or *both*" which are provisions relating to exceptions to rights. *Id.* 1208 n.284. The implicit statement that Article 20 confers rights on trademark owners combined with a limitation on those rights is precisely the point about Article 20 that we reject and which the spectrum argument attempts to finesse by describing Article 20 as conferring a legitimate interest to use a trademark which is close to and almost a right. Article 20 does not confer a right on trademark owners. On the contrary, and as will be discussed further below, it acknowledges that government may assert a claim right to restrict the privilege of use in certain circumstances and pays limited regard to just one of the legitimate interests of trademark owners, as a factor relevant to identifying those circumstances.

the relational aspect of particular rights and particular privileges. Thus, if one focuses on a relational approach to rights, the focus must be on (1) who has a legitimate interest; (2) the nature of that legitimate interest; and (3) whether another party should be required to respect that legitimate interest. Then, consideration needs to be given to who has a duty as a consequence of that interest and what is the nature of that duty in light of the respective interests of those parties.¹⁴⁴

Similarly, if a privilege is being considered, the focus must be on the legitimate interests of the relevant parties in the context of the particular relationship being addressed, and whether a particular party should have a “no-right” that the privileged party refrain from the permitted conduct. Furthermore, if one party enjoys a privilege in relation to another party, the privilege may nevertheless be defeasible by a third party to the extent that the third party has a claim right to prevent the exercise of that privilege. However, establishing that such a scenario exists requires identification of the particular third party and the legitimate interest upon which that party’s claim right is based. The particular third party may have a legitimate interest that justifies a claim right to limit the exercise of the privilege, or even to deprive a party of that privilege altogether, but it might be only that particular third party that has the relevant claim right. If this is so, then only that third party will be able to exercise its claim right against the privilege of use, and the manner in which it may limit or deny the exercise of the privilege will depend upon the nature of its particular claim right.¹⁴⁵

For example, other traders clearly have a “no-right” in relation to the privilege of use. They have no legitimate interest in preventing such use, and no basis for a claim right to do so. On occasions, they may have a legitimate interest in using a trademark themselves but without preventing use by trademark owners.¹⁴⁶ Hence, Article 17 permits limited exceptions to the right of exclusion that have regard to the legitimate interests of third parties, but Article 17 does not

144. See generally RAZ, *THE MORALITY OF FREEDOM*, *supra* note 61, at 171–72, 184–86 (discussing the ways in which particular balances of interests across and between parties can result in one party owing a duty to another, and discussing also the nature and limits of the duties that arise).

145. See discussion *supra* Part III.A–III.B.

146. See discussion *supra* Part III.B.

permit those third parties to interfere with the privilege of use.¹⁴⁷ However, if the third party is the government acting in its role as a regulator of the use of trademarks, the position alters significantly because the relationship in question is very different from the relationship between trademark owners and other traders.¹⁴⁸ It is the legitimate interests of trademark owners and governments that need to be considered, as that is the relevant relationship, and the legitimate interests of government may very well underpin a claim right to interfere with the privilege of use that is not shared by traders.

We agree that TRIPS not only confers rights of exclusion, but also acknowledges that trademark owners may have legitimate interests, including legitimate interests in use. What TRIPS does not say, however, is that these legitimate interests confer upon trademark owners a claim right against the government, or something approaching a claim right that is more than a privilege, that obliges the government to permit the trademark to be used. To the contrary, TRIPS permits and specifically contemplates, in Article 20, justifiable limitations upon the privilege of use arising from the countervailing interests of governments.¹⁴⁹ At the same time, Article 20 removes some of the power of a government to determine such questions solely via its internal processes.¹⁵⁰

To speak of entitlements in general terms as existing on a fixed point in a spectrum between an absolute right and a defeasible privilege lumps into one basket all the relationships concerning a trademark and identifies one point on the spectrum where the entitlement stays. It then considers all exceptions from this one reference point. But TRIPS does not confer upon trademark owners a claim to be at a particular point on any spectrum of entitlement to use their trademarks in the course of trade. It establishes a complex system of rights and obligations, and it is against that system, not individual trademark owners' hopes for the outcome of that system, that the international legality of plain packaging must be assessed.

147. TRIPS Agreement art. 17.

148. *But cf. Turning Over a New Leaf*, ECONOMIST, Mar. 2, 2013 (describing how the Japanese government is the majority shareholder of Japan Tobacco International Ltd., and therefore acts as a trader).

149. TRIPS Agreement art. 20.

150. See discussion *supra* Part IV.B.

This is not simply a matter of “purism” about the theoretical understanding of the concepts in play: it is about getting the law right.¹⁵¹ Article 20 does not create a right of use or some hybrid of a right and a privilege that confers an entitlement to use; it focuses on the privilege of use and the power of government to restrict that use on the basis of its legitimate interests.¹⁵² Under Article 20, that power may be exercised, provided that its exercise is *justifiable*,¹⁵³ that is, provided that the government has legitimate interests sufficient to ground a claim right that use of the trademarks in question be restricted. As discussed in detail above, not all legitimate interests will ground a claim right and its correlative duty; it is important that the balance of reasons favor the imposition of a duty on others.¹⁵⁴ We discuss this issue below (“Do the interests of government justify a claim right to support the duties imposed on tobacco companies by plain packaging legislation?”).¹⁵⁵

151. Frankel and Gervais distinguish their position from that which “purists” might adopt, asserting that, in their view,

[L]egitimate interests are more positive than privileges. By stating that trademark owners have legitimate interests, the TRIPS Agreement thus says more than that third parties cannot interfere with use by the owner. A legitimate interest can co-exist with a right—that is, a right is a legitimate interest but not all legitimate interests are rights.

Frankel & Gervais, *supra* note 52, at 1190 n.180. This portrayal of legitimate interests of trademark owners as being somehow greater than the privilege that they underpin is a considerable overreach in interpretation. It attempts to pre-judge the issue under Article 20 as to whether trademark owners’ interests are more important than the interests of government. The approach is not supported by the actual words of TRIPS or specifically Article 20, which in any event clearly does not refer to all legitimate interests of trademark owners. The approach does not accord with the way in which international law understands the powers of government and the constraint of such powers by international agreements. Nor is the approach supported by any commonly accepted theory of the nature of rights, interests and privileges that would inform understanding of context, object or purpose. In short, they have created a new analysis of rights, duties, interests and privileges that lacks foundation, and they defend this creation that favors tobacco trademark owners by asking that interpreters not act like “purists,” thus implicitly suggesting that doing so would be an exercise in pedantry rather than accuracy.

152. TRIPS Agreement art. 20.

153. *Id.*

154. See discussion *supra* Part III.B.

155. See discussion *infra* Part IV.I.

D. A NOD TO FORMALISM AND A REMEMBRANCE OF OBJECT AND PURPOSE

To this point, we have based this discussion heavily on theory and general principle to avoid suggestions of formalism in the approach to TRIPS. We have explained, in those terms, the theoretical reason why the distinction between a right and a privilege must be maintained in order to understand TRIPS, and we will address it further below.

At this point, however, some formalism may also be in order. Apart from the critical theoretical distinction between rights and privileges, the spectrum approach cannot be finessed by decrying formalistic, binary approaches to interpretation or an appeal to property principles.¹⁵⁶ When it comes to conferring or not conferring “rights,” the WTO is as binary as it gets and for good reason: WTO Members do not readily embrace the idea that they have agreed to confer rights that are not expressed as such. The TRIPS Agreement is very clear about when it confers rights, as it says so expressly and uses the term “right” or “rights” on 131 separate occasions, not counting the full title of the agreement itself or any of the footnotes to the agreement.¹⁵⁷ None of those 131 occasions includes Article 20. No good faith interpretation of Article 20 can turn it into a right to use. No good faith interpretation based on theory or formal wording creates a hybrid of a right and a privilege that dwells within Article 20.

156. Frankel and Gervais appear to acknowledge, in a discussion of property law and property rights, that the best account of property rights is what they call the “gatekeeper” model, on which a bundle of rights to exclude others creates an exclusive privilege of use of the property. Frankel & Gervais, *supra* note 52, at 1189–92. This seems indistinguishable from the Hohfeldian picture that we have outlined above. On its own, it tells us nothing about the scope of the privilege of use, nor what limitations upon it might be justifiable. Frankel and Gervais themselves acknowledge that “the law does not give unrestricted control [over property] to any property owner.” *Id.* at 1192. They are correct to state that, “The label *negative rights*” does not determine “the ‘contours of the owner’s position.’” *Id.* at 1192 (citing Larissa Katz, *Exclusion and Exclusivity in Property Law*, 58 U. TORONTO L.J. 275, 285 (2008)). But this does no more than tell us that we cannot know the contours of the owner’s position until we understand the contours of the legitimate interests of both the owner and relevant third parties. In the context of regulatory limitations and TRIPS, this means considering what legitimate interests of governments might justify encumbrances pursuant to Article 20.

157. See, e.g., TRIPS Agreement arts. 3, 4, 6, 7.

Furthermore, any such interpretation would itself be contrary to the Vienna Convention principles of treaty interpretation. As noted earlier, Article 31 makes ordinary meaning, in light of context, object and purpose, the touchstone of treaty interpretation.¹⁵⁸ It is no doubt proper, even mandatory, to use the broader treaty context, and the object and purpose that this evinces, to ascertain the meaning of particular terms. But it is something else altogether to infer first from the terms of the treaty a paramount purpose to facilitate the use of trademarks in the course of trade that underpins far more than a privilege, and then to use that inferred purpose as a heuristic to impute meaning to an article of the treaty—namely, confining “justifiability” for the purposes of Article 20 to the express terms of Article 8.¹⁵⁹ While this may be a permissible mode of interpretation in some domestic systems of law,¹⁶⁰ it is not what the Vienna Convention contemplates. Neither the paramount purpose that they claim nor their approach to the relationship between Article 20 and Article 8 is supported by the words of the treaty.

Finally, at key points, the positive entitlement argument based on a spectrum between rights and privileges moves from decrying formalism to embracing it. For example, the spectrum argument is avowedly non-formalistic up to the point at which a positive entitlement to use is generated by the means already described and the concept of “justifiability” is confined to Article 8(1). At that point, the legitimate interests of government are cabined within the

158. Vienna Convention, *supra* note 48, art. 31.

159. TRIPS Agreement arts. 8, 20.

160. See JACK M. BALKIN, CONSTITUTIONAL REDEMPTION: POLITICAL FAITH IN AN UNJUST WORLD 195–98 (2011) (discussing this mode of reasoning in U.S. constitutional theorizing); *cf.* *Lange v Australian Broad. Corp.* (1997) 189 CLR 520, 561, 567 (Austl.) (the High Court of Australia unanimously rejected the permissibility of this mode of reasoning in interpreting the Australian Constitution, stating that “the freedom of communication which the Constitution protects . . . is limited to what is necessary for the effective operation of that system of representative and responsible government provided for by the Constitution To the extent that the requirement of freedom of communication is an implication drawn from ss 7, 24, 64, 128 and related sections of the Constitution, the implication can validly extend only so far as is necessary to give effect to these sections. Although some statements in the earlier cases might be thought to suggest otherwise, when they are properly understood, they should be seen as purporting to give effect only to what is inherent in the text and structure of the Constitution”).

strict, formalistic wording of Article 8(1).¹⁶¹ Simultaneously, the formal, linguistic distinction between “necessity” in Article 8(1) and “justifiability” in Article 20, and the fact that Article 8 is presented under the heading “Principles” and within the heading to Part I of “General Provisions and Basic Principles” rather than (for instance) “Justifiable limitations or encumbrances,” is given little credence. Formalism seems to be championed at some points and criticized at others.

E. THE TRADEMARK PROVISIONS IN TRIPS AND THE SCOPE OF GOVERNMENT POWER UNDER ARTICLE 20

Support for the proposition that Article 20 confers a privilege that is relatively defeasible comes from a consideration of several items: (1) the other provisions in the trademarks section of TRIPS; (2) Article 20 itself; and (3) international norms and practice. Below, we will undertake a consideration of other TRIPS trademark provisions in the context of Article 20. Articles 15 to 21 of TRIPS have a number of complex aspects to their interpretation that need to be addressed. It is important to avoid interpreting them and Article 20 by reference to a right-to-use or entitlement-to-use heuristic that does not address that complexity.

1. Article 15

Article 15 defines a trademark as any sign that is capable of distinguishing goods from other goods.¹⁶² It also contemplates the registration of trademarks, and therefore, a system of trademark registration.¹⁶³ Some of the details of the system of registration are incorporated via the Paris Convention.¹⁶⁴ For example, registration cannot be denied on the basis of the nature of the goods to which a trademark is to be applied.¹⁶⁵

Article 15 does a number of other things that are pertinent to the

161. See Frankel & Gervais, *supra* note 52, at 1204 (emphasizing that both paragraphs of Article 8(1) require that the measure be necessary); see also GERVAIS, TRIPS DRAFTING HISTORY AND ANALYSIS, 4th Edition, *supra* note 129, § 2.278.

162. TRIPS Agreement art. 15(1).

163. *Id.* art. 15.

164. *Id.* art. 2(1); see also discussion *supra* Part III.A.

165. TRIPS Agreement art. 15(4).

right/privilege discussion concerning Article 20. First, it provides that many trademarks are inherently capable of distinguishing goods without them being used. Article 15 states, in part, that “[w]here signs are not inherently capable of distinguishing the relevant goods or services, Members may make registrability depend on distinctiveness acquired through use.”¹⁶⁶ Prior to TRIPS, many, if not most, nations only permitted registration of trademarks that were inherently distinctive.¹⁶⁷ In other words, they had a capacity to distinguish even before use.¹⁶⁸ This category of trademarks remains extremely important. Apart from the fact that most trademarks fall into this category, their registration is cheaper because the costs of proving use that demonstrates distinctiveness to a trademark office may be so onerous as to outweigh the benefit of registration.

Article 15(3) states that use is not a condition for filing an application for registration even though a Member may make registrability depend on use.¹⁶⁹ Stated another way, Members do not have to make registration dependent on use. Registration leads to the right to exclusion under Article 16(1), but it is separate from the privilege of use.

While Article 15 indicates that a system of registration of trademarks exists and that the intention may be to use them, it says nothing about the constraints imposed by government on the privilege of use. As already pointed out, under the Paris Convention system, the privilege of use was completely defeasible.¹⁷⁰ Article 15 may support the proposition that the intention is that trademarks may be used, but against whom is the privilege of use held or, more precisely, who will have the “no-right” in relation to the privilege? The background to the Paris Convention and Article 15 demonstrate that the relationship in question is that of registered trademark owners and other traders.¹⁷¹

Finally, Article 15 clearly indicates that there are separate

166. *Id.* art. 15(1).

167. *See, e.g., Trade Marks Act 1955* (Cth) (superseded) ss 25–26 (Austl.).

168. *See, e.g., Burger King Corp. v Registrar of Trade Marks* (1973) 128 CLR 417, 424 (Austl.) (“Inherent adaptability is something which depends on the nature of the trade mark itself.”).

169. TRIPS Agreement art. 15(3).

170. *See* discussion *supra* Part IV.A.

171. *See id.*

categories: signs and trademarks.¹⁷² The latter are a subset of the former. The plain packaging legislation is very much aimed at the use of non-word signs in retail tobacco packaging and the interests of government in regulating their use needs to be considered. Article 15 also clearly differentiates between trademarks and registered trademarks.¹⁷³ Other provisions in TRIPS also address this proposition.¹⁷⁴ The relevance of this point is discussed in relation to the rights of exclusion conferred by Article 16.

2. *Articles 15 and 20*

Article 20 speaks of “use in a manner detrimental to [the trademark’s] capability to distinguish.”¹⁷⁵ Article 15 clearly provides that an inherently distinctive trademark retains its capability to distinguish the goods or services it represents even without use, provided that the right of exclusion is maintained by the owner of such a trademark.¹⁷⁶ The negotiating history of Article 20 confirms that it was intended to be consistent with Article 15.¹⁷⁷ At the very least, both Article 15 and Article 20 indicate that there are degrees of detriment to capacity to distinguish.¹⁷⁸ The degree of detriment will depend on the nature of any encumbrance on use. Whether trademark owners remain entitled to use some trademarks to distinguish their goods may influence the existence of a claim right of a government to prohibit use of trademarks in some circumstances and also the issue of whether the legitimate interests that underpin such a right outweighs the interest in use that underpins a privilege of use.

Article 15 distinguishes between registered and unregistered trademarks. Article 20 deals with all trademarks. It is not restricted to registered trademarks. Article 15 only supports the conferral of rights on owners of registered trademarks. It does not support the conferral of rights or even privileges on owners of unregistered trademarks.¹⁷⁹

172. TRIPS Agreement art. 15(1).

173. *Id.*

174. *Id.* arts. 16, 20, 21.

175. *Id.* art. 20.

176. *Id.* art. 15.

177. NUNO PIRES DE CARVALHO, *THE TRIPS REGIME OF TRADEMARKS AND DESIGNS* 326–27 (2d ed. 2011).

178. TRIPS Agreement arts. 15, 20.

179. *Id.* art. 15.

3. Article 16

As already indicated, Article 16(1), (2), and (3) confers a right of exclusion.¹⁸⁰ Notably, the right of exclusion pertains to registered trademarks and well known trademarks.¹⁸¹ No general right of exclusion exists in respect of all trademarks, whether registered or not and whether well known or not.

The right conferred by Article 16(1) is a right to exclude others from using the registered trademark in the course of trade.¹⁸² No right to exclude use exists outside the course of trade. It also says nothing about the extent to which the privilege of use is defeasible because of some power of government to assert, on the basis of its legitimate interests, a claim right restricting use. As discussed above, we reject the “enjoyment of the right of exclusion argument” as a means of limiting the power of government to restrict use.¹⁸³ Importantly, the right to exclude use needs to be considered in more detail. The exclusive privilege of use retained by a trademark owner, by virtue of Article 16’s withdrawal of the privilege of use from other traders, exists to prevent confusion in the course of trade. Privileges are sometimes abused. When they are abused in ways that affect the legitimate interests of governments, governments may permissibly confer upon themselves a claim right that restricts the privilege.

4. Articles 16 and 20

Article 20 refers to all trademarks.¹⁸⁴ Civil law countries do not protect unregistered trademarks per se, and nobody argues that they do or should.¹⁸⁵ The international trademark system and its norms are

180. See discussion *supra* Part III.A.

181. TRIPS Agreement art. 16.

182. See *id.* art. 16(1) (“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.”).

183. See discussion *supra* Part IV.A.

184. TRIPS Agreement art. 20.

185. See, e.g., Gervais, *Compatibility of Certain Tobacco Product Packaging Rules*, *supra* note 114, ¶ 45 (“In countries with a civil law system, registration of a mark is the legal act that confers rights. Unregistered marks are not protected *as such*.”); accord Frankel & Gervais, *supra* note 52, at 1190 (“In countries with a civil law system, registration of a mark is the legal act that confers rights.

clearly designed to accommodate that view. If there is no right of exclusion in respect of an unregistered trademark in civil law countries, how else can Article 20 be interpreted other than indicating that there is a privilege, not a right, of use of any trademark, and a privilege liable to significant defeasibility? At this point, it becomes even harder to understand how the spectrum interpretation of Article 20 can be described as attempting to confer anything other than a right that is asserted without adequate regard to the text of TRIPS. What is the legitimate interest in using an unregistered, not well-known trademark in a context where civil law countries at least do not currently recognize exclusive privileges to use such trademarks? And if there is such an interest, how is it feasible or not too onerous to expect any country, especially civil law countries, to have a duty to permit use of unregistered trademarks in light of the longstanding, TRIPS-acknowledged and unchallenged practice in those countries? There may be a sufficient interest in using unregistered trademarks to justify a privilege of use, but it is inherently defeasible and subject to a claim right by governments to prevent that use. Furthermore, at least until registration is sought and obtained, a government does not know which signs are trademarks and which ones are not. If it has a claim right to prevent the use of signs, it is less feasible and certainly more onerous to require it to attempt to discriminate between mere signs and signs that are trademarks.

Even in common law countries, the relevant property interest in an unregistered trademark is the goodwill of the trademark owner that is generated by the use of the trademark.¹⁸⁶ That is, even common law

Unregistered marks are not protected *as such*”).

186. See *AG Spalding & Bros. v. AW Gamage, Ltd.*, [1915] All E.R. 147 (H.L.) (Eng.) (confirming that there is no property in an unregistered trademark but only in the goodwill generated by the use of that trademark); see also *Trade Marks Act 1995* (Cth) s 120 (Austl.) (“A person infringes a registered trade mark if the person uses as a trade mark a sign that is substantially identical with, or deceptively similar to, the trade mark in relation to goods or services in respect of which the trade mark is registered.”); *id.* pt 13 (referencing an entire section with a comprehensive system for seizure of goods that infringe a registered trademark); *id.* s 72 (identifying the rights stemming from registration as taking effect on the date of lodging an application); *id.* s 68 (generally discussing the obligation to register). Registration of a trademark is more than confirmatory of some common law title. It confers ownership in respect of the trademark itself rather than the goodwill associated with the trademark. The right to sue for infringement

countries only protect the goodwill associated with a trademark rather than the trademark *per se*. The trademark itself is not the subject of rights. Article 21 confirms this proposition by providing that the assignment of unregistered trademarks may be subject to the requirement that the assignment include an assignment of the relevant business.¹⁸⁷ Article 21 specifically states that the assignment of registered trademarks is not subject to such a requirement, demonstrating the considerable difference between an unregistered trademark and a registered trademark, even in common law countries.¹⁸⁸ As with civil law systems, the common law system clearly suggests that Article 20 does not confer a right of use or some spectral variant of a right.

It cannot be a linguistic accident that Article 20 refers to all trademarks rather than registered trademarks, or registered trademarks and well known trademarks. Several provisions in TRIPS make the clear distinction between these categories.¹⁸⁹ It is not a formalistic argument to say that civil law countries do not protect unregistered trademarks as trademarks. Nor is it formalistic to say that in common law countries, the protection of unregistered trademarks occurs through the protection of goodwill. Article 21 refers specifically to the distinction between the property in a registered trademark and goodwill developed through use.¹⁹⁰

(unauthorized use by another) exists even in the absence of use of the registered trademark or evidence of any reputation or goodwill associated with the registered trademark. *See* *Wingate Marketing Pty. Ltd. v Levi Strauss & Co.* (1994) 121 A.L.R. 191, 15 (Austl.). As Gummow J stated in *Wingate*,

The modern British legislation is generally considered to commence with the Trade Marks Registration Acts 1875–77 (U.K.). There was some uncertainty before it was established by judicial decision that this legislation permitted registration of marks which had not previously become distinctive by use and that, in other words, *a registered proprietor who could not maintain a passing-off action, because of a lack of necessary reputation nevertheless could, on registration, sue for infringement. Thus, from the outset, the legislative scheme differed in a fundamental respect from the common law; see the discussion of the authorities by Dixon J in The Shell Company of Australia Limited v Rohm and Haas Company* (1949) 78 CLR 601 at 625–628.

Wingate Marketing Pty. Ltd. v Levi Strauss & Co. (1994) 121 A.L.R. 191, 77 (Austl.) (emphasis added).

187. TRIPS Agreement art. 21.

188. *Id.*

189. *Id.* arts. 15, 16, 18, 19, 21.

190. *Contra* Frankel & Gervais, *supra* note 52, at 1177 (“Where registration for intended use is possible, it only creates inchoate rights (which may in some

Similar considerations require rejection of a revised version of the “bootstrapping” argument mentioned earlier in relation to well known trademarks.¹⁹¹ The argument is that Article 20 confers special protection upon well-known trademarks, because in addition to protecting the capability of such a trademark to distinguish, Article 20 confers upon the owner of the well-known trademark an entitlement to use it sufficiently to maintain its well known status. This argument relies upon Article 16 not only as the source of a right to exclude others from using well known trademarks but as a source, in combination with Article 20, of a right on the part of the owner to use such trademarks extensively, even though no such entitlement is stated in the text of either article. TRIPS clearly refers to special categories of trademarks, including well known trademarks, in those other provisions when it confers special protections upon them. To regard Article 20 as an exception that confers a distinctive entitlement to use a certain category of trademarks, without express words to that effect, would be at odds with this consistent feature of the text.

Therefore, an alternative interpretation of Article 20, consistent with these general textual features of TRIPS, is to be preferred. Such an interpretation is available: Article 16(3) confers upon the owner of a well-known trademark a right to exclude others from use of that trademark. While the trademark continues to exist, Article 20 protects the mark from unjustifiable encumbrances that would be detrimental to its capacity to distinguish. But there is no guarantee of an entitlement to use the trademark sufficiently to retain its well-known status. The purpose of TRIPS is “to reduce distortions and impediments to international trade,” but it is not the purpose of TRIPS to protect the economic value of particular trademark owners’ property rights. Noting these points shows the “more than a privilege” spectral interpretation of Article 20 to be untenable.

In at least one instance, Article 20 does support the right of exclusion and prevent governments from assisting third-party traders

circumstances nonetheless be enforceable) because in common law systems, rights in a trademark typically arise from use.”). At least in the context of the Australian trademark system, this statement is simply incorrect. *See* discussion *supra* note 186.

191. *See* discussion *supra* Part IV.A.

to use the trademark of another.¹⁹² Article 20 provides that one of the prima facie impermissible encumbrances on use is requiring use of a (senior) trademark with another (junior) trademark.¹⁹³ Such a scenario is one where the junior trademark is engaging in a *de facto* use of the senior trademark. The juxtaposition of the two is designed to associate the junior trademark with the senior trademark. In that sense, the owner of the junior trademark is using the senior trademark, although the situation also diminishes the capability of the senior trademark to distinguish. Article 20 restricts governments that favor the owners of junior trademarks in this way, especially if the junior trademark owner is a local trademark owner using a foreign senior trademark.¹⁹⁴

This approach is entirely appropriate. Given TRIPS' insistence on preventing distortions in international trade, the legitimate interests of government in regulating trademark use do not extend to conferring a *de facto* right of use on junior, local trademark owners. Considerable evidence from the negotiating history of Article 20 shows that prevention of this form of trade distortion was its primary objective.¹⁹⁵

5. Article 17

As already noted, Article 17 refers to the legitimate interests of trademark owners and the legitimate interests of third parties.¹⁹⁶ It refers primarily to other traders that might be using a trademark in the course of trade.¹⁹⁷ It provides the strongest recognition of any of the exceptions in TRIPS for the legitimate interests of third parties.

192. TRIPS Agreement art. 20 (stating in part, "The use of a trademark in the course of trade shall not be unjustifiably encumbered by special requirements, such as use with another trademark").

193. *Id.*

194. See DE CARVALHO, *supra* note 177, at 335; see also TRIPS Agreement art. 20. It should also be noted that the last sentence of Article 20 provides a very specific example of when governments can require two trademarks to be used in respect of particular goods and services. This issue, which was one relating to mandating the circumstances of actual use of trademarks as opposed to some prohibition on their use, was the focus of the negotiations on the wording of Article 20.

195. See DE CARVALHO, *supra* note 133, at 325–27.

196. TRIPS Agreement art. 17; see discussion *supra* Part III.C.

197. *European Communities – Trademarks and Geographical Indications*, *supra* note 57, ¶ 59.

Article 17 envisages circumstances in which third parties as well as trademark owners may have a privilege of using a trademark. In those circumstances, neither the trademark owner nor the third party has a claim right to prevent the other exercising the privilege of use.

6. Article 17 and Article 20

The relationship that Article 17 addresses is primarily the relationship between a trademark owner and other traders, while Article 20 primarily addresses the relationship between government and trademark owners. The two relationships are usually fundamentally different and certainly fundamentally different in the context of plain packaging.

In some limited circumstances, the relationships may be similar. As pointed out in the discussion about Article 16 and Article 20, Article 20 also rightly has something to say in some circumstances where governments use regulation to favor other traders and their use of trademarks at the expense of trademark owners.¹⁹⁸ Plain packaging does not favor any tobacco trader.

7. Article 18

Article 18 provides that registration is renewable indefinitely.¹⁹⁹ Registered trademarks are the only form of registered intellectual property that could last forever. In turn, that suggests that the privilege of use needs to be potentially subject to a wide range of government regulatory action based on legitimate interests that cannot necessarily be defined with precision in advance.

8. Article 19

Article 19 limits the circumstances in which registration might be lost because of non-use of a trademark.²⁰⁰ Removal from the register carries with it the loss of the right to prevent others from using the trademark. The loss of registration also results in the loss of an exclusive privilege of use and, possibly, a loss of any privilege of use if someone else then registers the trademark. In other words, other traders could obtain the privilege of use as a consequence of removal

198. See discussion *supra* Part IV.E.4.

199. TRIPS Agreement art. 18.

200. *Id.* art. 19.

from the register. Article 19 limits the capacity of government to effectively confer the privilege of use on other traders. It deals with relationships between current trademark owners and other traders. It does not confer upon a trademark owner a right to use that can be asserted against government. Nor does it support the existence of such a right.

Article 19 cannot be used to assert the proposition that government cannot impose permanent restrictions on the privilege of use of trademarks.²⁰¹ In fact, Article 19, together with other provisions, suggests the exact opposite, namely that governments can impose “permanent” obstacles to use. Article 19 starts with the words, “If use is required to maintain a registration.”²⁰² Those words necessarily mean that Article 19 contemplates that use may not be required to maintain registration, and that governments have discretion in the matter. The plain packaging legislation takes precisely this course, by providing that use is not necessary for maintaining registration.²⁰³

At some point, the words of a provision are so plain that an alternative meaning cannot be justified simply by decrying excessive formalism. However, if the very clear wording of Article 19 is not enough in itself to address the issue, there are other non-formalistic aspects that support the proposition that Article 19 refers to potentially permanent government obstacles to use. First, as already noted, Article 15 provides that lack of use is not an obstacle to registration.²⁰⁴ Second, Article 19 refers to obstacles to use generally.²⁰⁵ These may include both obstacles particular to the registered owner and obstacles imposed by government.²⁰⁶ It then

201. *Contra* Frankel & Gervais, *supra* note 52, at 1185, 1212 (“Under Article 19.1, a ban on use cannot be used to cancel a registration, signaling that the ban may well be temporary because that is precisely why a trademark owner would want to maintain the registration.”).

202. TRIPS Agreement art. 19.

203. *TPP Act 2011* s 28(3).

204. *Id.* art. 15; *see* discussion *supra* Part IV.E.1.

205. TRIPS Agreement art. 19.

206. The Trade Marks Act 1995 (Cth) (Austl.) was introduced to meet obligations under TRIPS and address other changes to trademark law that were considered desirable. The legislation was based upon a report to the then Minister for Science and Technology. RECOMMENDED CHANGES TO THE AUSTRALIAN TRADE MARKS LEGISLATION: WORKING PARTY TO REVIEW THE TRADE MARKS LEGISLATION (Australian Govt. Pub. Service 1992) [hereinafter RECOMMENDED CHANGES TO THE AUSTRALIAN TRADE MARKS LEGISLATION]. The second reading

refers specifically to obstacles imposed by government “such as import restrictions on or other government requirements for goods or services protected by the trademark.” There is no reason why such import restrictions cannot or will not be permanent. They are certainly permanent until government makes a decision to remove them or reduce them. Precisely the same can be said about the plain packaging legislation. It is in place unless or until it is repealed or amended. Third, Article 19 clearly envisages government restrictions on use lasting beyond three years.²⁰⁷ How is a period beyond three years “temporary”? What is the definition of “temporary” used by those who argue that Article 19 contemplates the permissibility of only temporary bans on trademark use? The difficulties of defining “temporary” or even requiring such a definition are exacerbated by Article 18. What is a temporary period of non-use in the context of potential perpetuity of registration?

Article 19 clearly contemplates permanent restrictions on use, which is entirely consistent with the proposition that Article 20 gives some limited protection to a privilege of use that is subject to a power of government to prevent the exercise of that privilege in circumstances in which the legitimate interests of government give rise to a countervailing claim right. It also clearly indicates that where registration has occurred, the government’s claim right to

speech for the Trade Marks Bill 1995 notes, “The bill implements Australia’s obligations under the WTO Agreement, but its main thrust is to implement the government’s response to the July 1992 report, ‘Recommended changes to the Australian trade marks legislation’, as modified by the consultation process I have already mentioned.” Michael Lee, House of Representatives, Hansard, Main Committee, Trade Marks Bill 1995, MC1910 (Sept. 27, 1995). The Working Party, in section 3.1 of its report dealing with removal of trade marks for non-use, noted that its proposals “took into account the provisions of the TRIPS Agreement.” RECOMMENDED CHANGES TO THE AUSTRALIAN TRADE MARKS LEGISLATION, *supra*, at 87. The Working Party’s recommendations under the heading “Defence against an application for removal” notes,

33A. A registration may be protected against a claim for non-use by: . . . circumstances which constitute an obstacle to the use of the registered trade mark, whether applicable to traders generally, or specific to the proprietor of the mark. For example, regulatory delay for pharmaceuticals, *regulatory prohibition of use (e.g. tobacco products)*, import restrictions or circumstances of war.

Id. at 91 (emphasis added).

207. TRIPS Agreement art. 19 (“[R]egistration may be cancelled only after an uninterrupted period of at least three years of non-use, unless valid reasons based on the existence of obstacles to such use are shown by the trademark owner.”).

prevent use does not and cannot extend to a claim right to take away registration for that non-use; that is, the claim right does not extend to a right to permit other traders to use the trademark. The possibility that the privilege will be restored is maintained, and in the meantime, the right of exclusion is maintained²⁰⁸ and the trademark owner may enforce that right which it has against other traders.²⁰⁹

9. Article 21

This article deals with a number of matters. Under it, compulsory licensing of trademarks is prohibited.²¹⁰ Compulsory licensing is inconsistent with the rights of exclusion of use in Article 16, and clearly, the WTO members were providing that no legitimate interest of any third party exists that ever justifies a compulsory license. A compulsory license would permit use of the trademark by another trader, in circumstances that would unwarrantedly suggest an association with the trademark owner. Use by a third party without control by the trademark owner necessarily means that two parties in the marketplace are using the same trademark in inconsistent

208. The cost of renewing a trademark in Australia is 300 AUD for a ten year period of renewal (or 30 AUD per year which is roughly the cost of two packets of cigarettes in Australia). See IP AUSTRALIA, TRADE MARK FEES, <http://www.ipaustralia.gov.au/get-the-right-ip/trade-marks/manage-your-trade-mark/renewing-your-trade-mark/> (last visited Apr. 6, 2014).

209. The right of the trademark owner to prevent use by other traders of its trademarks or similar trademarks is separate from and independent of the obligation imposed by government via the plain packaging legislation on all traders to refrain from use of non-word signs, including non-word trademarks. The right of the trademark owner involves a duty owed to them by other traders not to use their trademarks because the trademark owners have a claim right against those other traders that reflects the interests of the parties. See *Trade Marks Act 1995* (Cth) s 120. The plain packaging legislation imposes a duty that is owed to the government by everyone to respect the government's claim right to prevent use of non-word signs, including non-word trademarks. See *Tobacco Plain Packaging Act 2011* (Cth) s 20(1) (Austl.) ("No trade mark may appear anywhere on the retail packaging of tobacco products, other than as permitted by subsection (3)."). The government has different interests that justify the duty that supports its claim right. The consequences of different breaches of the different rights also reflect the different interests at work. Trademark owners want damages or an account of profits and/or an injunction available pursuant to the *Trade Marks Act 1995* s 12(6). The government imposes a fine or imprisonment to enforce the duty owed to it. See *TPP Act 2011* s 3. The conflation of the two claim rights is inconsistent with the nature of rights and the relational aspect of property.

210. TRIPS Agreement art. 21.

manners, thus diminishing the trademark's capacity to distinguish. It is compelling a trademark owner to permit use by a third party rather than enforce its right to prevent such use, that is more likely to "destroy" a trademark. In effect, Article 21 provides that compulsory licensing is never one of the permissible exceptions by which another trader is given the privilege of using a trademark. It also provides that the power of trademark owners to alter their legal relationships by licensing arrangements cannot be taken away from them in this manner and the disability of potential licensees to insist on such an alteration stays in place.²¹¹ Again, it speaks to the relationship between trademark owners and other traders.

The compulsory licensing aspect of Article 21 says little about the defeasibility of the privilege of use via a countervailing claim right of government. The little that it does say is that mandated, positive use is more inappropriate than a government prohibition on use. The former involves a contravention of the right of exclusion. The latter does not. The former will also have a greater impact on the capability to distinguish than the latter.

As mentioned in the discussion of Article 16, Article 21 clearly differentiates between the nature of a legal interest in an unregistered trademark and the legal interest in a registered trademark by its reference to the different rules concerning the assignment of unregistered or registered trademarks. Different interests exist in different types of trademarks with varying consequences for government regulation of those trademarks.

10. Article 20

As already identified, Article 20 applies to all trademarks whether registered, unregistered, well known or not.²¹² The article is not symmetrical with other articles such as Articles 16, 17, 18, and 19. Neither civil nor common law countries provide protection for unregistered trademarks.²¹³ The protection common law countries provide is to the goodwill generated by the use of trademarks, not the trademarks themselves.

If Article 20 is to be interpreted as a right to use a trademark, it

211. *Id.*

212. *Id.* art. 20; *see* discussion *supra* Part IV.E.4.

213. *See* discussion *supra* Part IV.E.4.

requires a right to use an unregistered trademark. For the reasons given earlier, that is clearly not the case.²¹⁴ If the spectrum argument is rejected—and we argue that it must be rejected—the only alternative is that Article 20 speaks of a privilege of using a trademark subject to the government's power to prevent such use in identified circumstances, namely, when the internationally recognizable legitimate interests of government justify a claim right that defeats the privilege. One possible claim right to prevent use of unregistered trademarks has already been identified in the WTO.²¹⁵

Article 20 recognizes a defeasible privilege of use.²¹⁶ To appreciate how defeasible that privilege may be to state intervention—that is, the parameters of “justifiability”—we will identify the respective interests of trademark owners as well as interests of the State that are recognized by Article 20. Then, we will compare the relevant interests of trademark owners with State interests.

F. THE RELEVANT LEGITIMATE INTERESTS OF TRADEMARK OWNERS IN ARTICLE 20

A WTO panel has considered the general nature of a trademark owner's legitimate interests in the context of Article 17. In *European Communities – Trademarks and Geographical Indications*, the Panel held that “[a] legitimate interest of the owner is to maintain the trademark's capacity to distinguish the owner's goods.”²¹⁷ It continued,

Every trademark owner has a legitimate interest in preserving the distinctiveness, or capacity to distinguish, of its trademark so that it can perform that function. This includes its interest in using its own trademark in connection with the relevant goods and services of its own and authorized undertakings. Taking account of that legitimate interest will also take account of the trademark owner's interest in the economic value of its mark arising from the reputation that it enjoys and the quality that it

214. *See id.*

215. *See* DE CARVALHO, *supra* note 177, at 20.32–20.33 (citing the example of the Chinese government prohibiting the commercialization of certain goods unless they were sold with trademarks that had been registered in China).

216. TRIPS Agreement art. 20.

217. *European Communities – Trademarks and Geographical Indications*, *supra* note 57, ¶ 7.664.

denotes.²¹⁸

However, Article 20 does not refer to all of the legitimate interests of trademark owners. Indeed, as already noted, it does not refer to legitimate interests or rights *per se*.²¹⁹ To the extent that Article 20 focuses on the legitimate interests of trademark owners, it focuses only on the very specific interest identified by the text.²²⁰ Given that Article 20 refers to the detriment of a trademark's capability to distinguish, Article 20 might be said to acknowledge a legitimate interest in avoiding detriment to the capability of a trademark to distinguish.

At this point, some reference back to Article 15 and some discussion of the negotiating history behind Article 20 needs to occur. As already discussed above, Article 15 refers to "any sign or combination of signs, capable of distinguishing the goods . . . of one undertaking from those of other undertakings."²²¹ Capability to distinguish for inherently distinctive trademarks exists without use, and Article 15 clearly recognizes this to be so.²²² Article 20 refers to "use in a manner detrimental to its capability to distinguish."²²³ At the very least, Article 15 is a statement that significant capability to distinguish, both for inherently distinctive trademarks and for those that acquire distinctiveness through use and are then registered, is maintained by the act of registration. Non-use of a trademark as a consequence of a prohibition on its use has less of an impact on that capability to distinguish than mandated uses contrary to the trademark owner's wishes. The main aspect of a legitimate interest in using a trademark, *vis-a-vis* the State, is avoidance of such mandated uses.

Furthermore, early versions of Article 20 did not refer to the concept of "justifiability" of encumbrance at all. If any of those versions had been accepted, under the spectrum approach to trademarks, any restriction on the use of trademarks would have

218. *Id.*

219. TRIPS Agreement art. 20; *see* discussion *supra* Part IV.D.

220. DE CARVALHO, *supra* note 177, at 20.22–20.24.

221. TRIPS Agreement art. 15; *see* discussion *supra* Part IV.E.1.

222. TRIPS Agreement art. 15.

223. *Id.* art. 20.

contravened TRIPS.²²⁴ And if a prohibition of advertisements using trademarks constituted an encumbrance on use in the course of trade, any prohibition would have contravened Article 20 and there would have been no opportunity to justify the encumbrance.²²⁵

To read Article 20 more broadly than we have stated above²²⁶ would mean reading into the Article a wide reference to all legitimate interests even though the WTO had regularly used that expression but did not do so in the context of Article 20. For instance, and as de Carvalho has noted, it is difficult to see how Article 20 requires the taking account of the reduction in economic value of a trademark.²²⁷ Nothing in Article 20 acknowledges an interest in maintaining the economic value of a trademark by guaranteeing use. Indeed, in the relationship between trademark owners and governments, governments do not guarantee the almost unconditional maintenance of the economic value of trademarks, especially in relation to trademarks in industries that they do not wish to encourage. Stated alternatively, trademark owners do not have a legitimate interest in promoting a product in relation to which they use their trademarks. They do, however, have an interest in retaining a capability to distinguish their particular brand of the product from other brands.²²⁸ The proposition that there is a legitimate interest in the promotion of consumption of tobacco only needs to be stated to be refuted, unless mere lip service is being paid to the adverse health effects of tobacco.²²⁹ Of course, one tobacco

224. See, e.g., Suggestion by the United States for Achieving the Negotiating Objective, MTN.GNG/NG11/W/14/Rev.1, at 4 (Oct. 17, 1988); Draft Agreement on the Trade-Related Aspects of Intellectual Property Rights, MTN.GNG/NG11/W/70, art. 15 (May 11, 1990).

225. See DE CARVALHO, *supra* note 177, at 20.11 (appearing to suggest that “in the course of trade” is confined to use of a trademark on the goods themselves, but going on to state that a ban on advertising would not “relate directly to the course of trade but cause an encumbrance to the use of the marks in the course of trade”).

226. See discussion *supra* Part IV.E.10.

227. If it is, the tobacco control measures of Australia and many other countries over many years have clearly had an effect on the economic value of trademarks. See DE CARVALHO, *supra* note 177, at 20.23.

228. While trademarks are used to maintain or increase market share for a particular brand, they are also designed and used to increase the total consumption of a particular brand. In combination, all brands are used to increase the total consumption of the particular product.

229. If such an interest is not acknowledged, there cannot be a right to promote or a privilege of promoting tobacco usage, nor something approaching a right to

trader does not have a legitimate interest in preventing another tobacco trader from promoting tobacco. But governments do.

In addition, the legitimate interest is an interest in use to minimize or avoid the likelihood of confusion between different brands of cigarettes. Article 16 tells us that the right of exclusion is aimed at avoiding this type of confusion.²³⁰ Use is not an end in itself in a trademark context, but an end for that particular purpose. Therefore, use that involves a likelihood of confusion of consumers about the qualities of the product that uses the trademarks is not a legitimate interest of trademark owners. Where a trademark is being used simultaneously for differentiating between different brands of a product on the one hand and misleading consumers about the product's qualities on the other hand, there is a conflict between the legitimate interests of the trademark owner in using the trademark for differentiation purposes and the legitimate interests of the government in preventing misleading uses of trademarks.

In any event, the interest of a trademark owner is only an interest in use of trademarks, not use of signs *per se*. As pointed out above, the privilege of using a sign is not a particularly significant privilege unless it is an exclusive one as a consequence of having trademark rights in relation to it.²³¹ TRIPS acknowledges no legitimate interest in signs *per se* and neither do international trademark norms and practices. A government's interests in prohibiting the use of signs to prevent the promotion of a product or the misleading of consumers about a product's qualities might easily outweigh the interest in the privilege of using signs, either as just signs or for the additional purpose of converting those signs into trademarks. Short of registration, it is difficult, if not impossible, for a government to know if a particular sign or combination of signs has altered its status from a sign to being a sign that is also a trademark. This difficulty is but one reason why civil law countries do not acknowledge rights in unregistered trademarks.²³² The point at which the interests of the State would outweigh the interests supporting a privilege of using a sign would be easily reached. Again, the specific relationship matters

promote tobacco usage.

230. TRIPS Agreement art. 16.

231. See discussion *supra* Part III.A.

232. See discussion *supra* Part IV.E.4.

in determining this outcome. Another trader has no interest in interfering with the privilege of others to use signs that may or may not be trademarks belonging to others. The government may well have an interest in preventing use of such signs.²³³

Finally, a trademark owner's interest in use is also restricted to use in the course of trade. Use outside of the course of trade is not part of its legitimate interests as a trademark owner. Although another trader has no legitimate interest in interfering with the privilege of using trademarks outside the course of trade, the government may well have such an interest.

G. THE RELEVANT LEGITIMATE INTERESTS OF GOVERNMENT IN ARTICLE 20

Are legitimate interests of government acknowledged in Article 20? The answer is an unequivocal "yes." All of the previous discussion points to Article 20 being a provision about a privilege of use, not a right to use. The very nature of a privilege is such that one anticipates circumstances in which some third parties may have a claim right to restrict or prevent the exercise of the privilege. And what else does the reference to "unjustifiably" in Article 20 refer to other than the legitimate interests of government which might ground such a claim right? As previously noted here and elsewhere, the concept is not readily understood in a specific intellectual property law context, so its meaning cannot be derived from that area of law.²³⁴ It is readily understood in the context of rights, privileges, and legitimate interests, as informing the scope of the power that governments retain pursuant to Article 20.

At this point, it is also important to note again that the inclusion of the reference to "unjustifiability" was a key component of the ultimately successful negotiations to include Article 20 in TRIPS. Some initial drafts of Article 20 did not adopt the word. Indeed, initial drafts of the provision were very clearly quite specifically aimed at actual uses of trademarks, not prohibitions on their use. For example, an early proposal from the United States was that, "A country shall not impose any special requirements for the use of a trademark such as size or use in combination with another

233. See discussion *infra* Part IV.G.1–3.

234. See discussion *supra* Part IV.C.

trademark,²³⁵ and Australia suggested that, “Registration should not be dependent upon any special requirements for the use of a mark in combination with another mark.”²³⁶

The inclusion of the concept of justifiability introduces into the interpretation and application of Article 20 precisely the sort of balancing act that is involved in considering the interplay between rights, privileges, and legitimate interests of different parties. It is a clear statement that the legitimate interests of the State are important and are to be considered along with whatever legitimate interest of trademark owners that Article 20 provides are important for the purposes of defining the relationship between those owners and the State.

At the beginning of this article, some of the legitimate interests of government in regulating the use of signs in retail packaging for tobacco were articulated. A more detailed statement of those interests is provided below.

1. Prohibition on Use of Signs for Promotion

Governments have an interest in preventing the promotion of tobacco consumption. This interest extends to the prevention of using any signs to make tobacco products more attractive. The proposition that promotion of tobacco occurs via the use of packaging is difficult to refute. British American Tobacco Australasia Ltd has expressly admitted in litigation that it uses its packaging to promote its products as well as to differentiate them from others.²³⁷ At least one Australian High Court justice has agreed with that proposition.²³⁸

235. See Suggestion by the United States for Achieving the Negotiating Objective, MTN.GNG/NG11/W/14/Rev.1, at 4 (Oct. 17, 1988).

236. Standards and Norms for Negotiations on Trade-Related Aspects of Intellectual Property Rights – Communication from Australia, MTN.GNG/NG11/W/35, at 4 (July 10, 1989).

237. *British American Tobacco Australasia Limited v Commonwealth*, [2011] Submission of the Plaintiff’s Reply at 7, S389 (Feb. 24, 2012) (Austl.).

238. *JT Int’l SA v Commonwealth* [2012] HCA 43, 286 (Austl.). In her opinion, Justice Crennan stated,

While the prime concern of the Trade Marks Act is with the capacity of a trade mark to distinguish the goods of the registered owner from those of another trader, trade marks undoubtedly perform other functions. For example, a trade mark can be an indicium of the quality of goods sold under or by reference to it and it may be accepted that distinctive marks can have a capacity to advertise, and therefore to promote, sales

There is significant evidence from the documents of tobacco companies that they use packaging to promote their products.²³⁹

The plain packaging legislation is directed at all signs, whether or not they are trademarks, and the use of signs to promote tobacco by making it more attractive. The proposition that signs on packaging are used to promote tobacco is expressly acknowledged in Guidelines to the Framework Convention on Tobacco Control.²⁴⁰ In this regard, at this point in our discussion, the Convention and its

of products sold under or by reference to them.

Id.

239. See, e.g., Kathy Kotnowski & David Hammond, *The Impact of Cigarette Pack Shape, Size and Opening: Evidence from Tobacco Company Documents*, 108 ADDICTION 1658 (2013). See generally MARIANNE ROSNER KLIMCHUK & SANDRA A. KRASOVEC, PACKAGING DESIGN: SUCCESSFUL PRODUCT BRANDING FROM CONCEPT TO SHELF (2012); Alison Ford, Crawford Moodie & Gerard Hastings, *The Role of Packaging for Consumer Products: Understanding the Move Towards 'Plain' Tobacco Packaging*, 20 ADDICT RES THEORY 339 (2012); Crawford Moodie et al., *Plain Tobacco Packaging: A Systematic Review*, UNIV. STIRLING (2012), available at http://phrc.lshtm.ac.uk/papers/PHRC_006_Final_Report.pdf [hereinafter Moodie et al., *Plain Tobacco Packaging*]; R.P. Ferris, *The Influence of Brand Identification and Imagery on Subjective Evaluation of Cigarettes* (18 July 1980), Report No. RD 1752-C. Restricted British-American Tobacco Co. Ltd Group, Bates No. 103411673-103411674, Legacy Tobacco Documents Library (insisting that in order to maximally influence the public, it was necessary to explore the full effect that packaging had on perception and buying habits); Melanie Wakefield et al., *The Cigarette Pack as Image: New Evidence from Tobacco Industry Documents*, TOBACCO CONTROL 11 (2002), available at http://tobaccocontrol.bmj.com/content/11/suppl_1/i73.full [hereinafter Wakefield et al., *The Cigarette Pack as Image*]; Philip Morris, "Philip Morris USA Five Year Plan 920000-960000", 1992-1996, Legacy Tobacco Documents Library; Crawford Moodie & Gerard Hastings, *Tobacco Packaging as Promotion*, 19 TOBACCO CONTROL 168 (2010). The potential for two dimensional and three dimensional changes in packaging is almost infinite and it is unrealistic to expect a government to engage in specific identification of particular promotional or misleading aspects of packaging of tobacco and to target just those specific aspects. To do so would require a never-ending game of regulatory "whack-a-mole" as new forms of packaging designed to promote tobacco are devised.

240. Conference of the Parties to the WHO Framework Convention on Tobacco Control, Durban, South Africa, Nov. 17-22, 2008, *Guidelines for Implementation of Article 13 (Tobacco Advertising, Promotion and Sponsorship)*, 36, WHO DOC. FCTC/COP/3/12, Annex (Nov. 22, 2008) ("Promotional effects, both direct and indirect, may be brought about by the use of words, designs, images, sounds and colours, including brand names, trademarks, logos, names of tobacco manufacturers or importers, and colours or schemes of colours associated with tobacco products, manufacturers or importers, or by the use of a part or parts of words, designs, images and colours.").

guidelines are used to assist in proving various factual propositions. Tobacco packaging is used to promote tobacco and it is used to mislead consumers about the characteristics of the product and one of the reasons we know this is that over 170 nations have signed or acceded to a treaty that says so.²⁴¹ In that regard, there can be and is no conflict with TRIPS nor any attempt to override TRIPS. The complainants have the right to adduce evidence to contradict these propositions of fact.

2. Promotion Outside the Course of Trade

Plain packaging legislation is primarily aimed at preventing the use of packaging in social settings, outside the course of trade, to promote consumption of tobacco. Again, significant evidence shows that this use of packaging is precisely what tobacco companies aim to achieve.²⁴²

3. Misleading Uses of Signs

Signs used in tobacco packaging can be used and are used to suggest misleading impressions about the characteristics of particular

241. *Parties to the WHO Framework Convention on Tobacco Control*, WHO, http://www.who.int/fctc/signatories_parties/en (last visited Jan. 28, 2014) (reflecting that there are 177 Parties to the World Health Organization Framework Convention on Tobacco Control).

242. See Letter from R.P. Ferris, British Am. Tobacco Co., on Communication of Novel Product Features (Apr. 29, 1981) (on file with the Legacy Tobacco Documents Library, Univ. of California-San Francisco), <http://legacy.library.ucsf.edu/tid/tdz75a99/pdf> (suggesting that “paper colour may be useful . . . in signifying to non-smokers that a smoker is using a sidestream attenuated product” and that “[d]esigning a pack to encourage display rather than concealment also improves communication, one way of achieving this is to texturise, emboss, or incorporate manipulable detail in order to encourage handling the pack.”); RJ Reynolds, *Trendsetters, Trends, Trendsetting*, UNIV. CAL. S.F. (May 1, 1997) (finding that targeting influencers as a social group and those who are easily led as a social group as the primary social groups to be targeted in advertising). See generally Philip Morris, *Marketing New Products in a Restrictive Environment*, LEGACY TOBACCO DOCUMENTS LIBRARY (June 1990), available at <http://legacy.library.ucsf.edu/tid/yhs55e00/pdf>; Wakefield et al., *The Cigarette Pack as Image*, *supra* note 239; Memorandum from J.C. Bogie, Product Manager, to R.E. Smith, Vice President of Brand Management, Lucky Strike Package Design Exploratory (Oct. 23, 1990); “Brand Strategies” (26 June 1984), Legacy Tobacco Documents Library (finding that increasing the image of Camel cigarettes as masculine and guaranteeing independence drew young adult smokers to the brand).

tobacco products. The proposition is expressly acknowledged in Article 11 of the Framework Convention on Tobacco Control.

Article 11 provides that members of the Convention should take

effective measures to ensure that:

(a) 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.²⁴³

Examples of such misleading behavior include the use of colors and other signs to indicate a suggested but misleading relative strength of different cigarettes.²⁴⁴

4. “A Manner Conductive to Social and Economic Welfare”

Article 7 outlines the object of TRIPS:

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

243. WHO Framework Convention on Tobacco Control art. 11, WHA Res. 56.1, World Health Assembly, 56th Ass., 4th plen. mtg, Agenda Item 13, Annex, WHO Doc. A56.VR/4 (May 21, 2003), http://www.who.int/tobacco/fctc/text/en/fctc_en.pdf.

244. See, e.g., David Hammond & Carla Parkinson, *The Impact of Cigarette Package Design on Perceptions of Risk*, 31 J. PUB. HEALTH 345, 346 (2009) (noting that words such as “light” and “mild,” and use of different shades of the same color in conjunction with white space are used to indicate relative strength of different cigarettes). See generally Wakefield et al., *The Cigarette Pack as Image*, *supra* note 239; Moodie et al., *Plain Tobacco Packaging*, *supra* note 239; E.C. Etzel, *Consumer Research Proposal: Camel Filter Revised Packaging Test Study*, RJ REYNOLDS (Mar. 2, 1979) (testing whether increasing the white color of a cigarette package changed the test subjects’ perceptions of the cigarettes); W.L. Dunn & P.G. Martin, *Flavor Development Two Pastel Green Menthol Field Tests*, LEGACY TOBACCO DOCUMENTS LIBRARY (Jan. 7, 1998) (finding that in using green paper for menthol cigarettes, the darker the green, the more the test subjects perceived the cigarettes to be menthol-flavored); R. Howes, *National Test Ranking: Saratoga Menthol, More Menthol, Saratoga Menthol with Green Paper*, LEGACY TOBACCO DOCUMENTS LIBRARY (July 1976); P. Martin, *Two National POL Mailout Tests: Philip Morris*, LEGACY TOBACCO DOCUMENTS LIBRARY (March 27, 1973) (listing the possible color combinations of the product).

and economic welfare, and to a balance of rights and obligations.²⁴⁵

A formalistic interpretation of Article 7 may restrict the consideration of “a manner conducive to social and economic welfare” to intellectual property other than trademarks because of the reference to “the mutual advantage of producers and uses of technological knowledge.”²⁴⁶ On the other hand, such an approach would struggle to explain why Article 7 does not mean that “[t]he protection and enforcement of intellectual property rights should contribute to . . . a balance of rights and obligations”²⁴⁷ and why that proposition is not relevant to interpretation of Article 20. Other formalistic interpretations can no doubt be proffered, but one that takes into account the object and purpose of TRIPS would also struggle to discount social and economic welfare from the discussion of Article 20 and the notion of justifiability. As noted in the Doha Declaration, TRIPS can be and should be interpreted in the light of its objectives and principles.²⁴⁸

5. *Public Health as a Legitimate Interest*

The debate about the relevance of health as a general principle by which justification of encumbrances may be demonstrated has occurred in other publications.²⁴⁹ The essence of the debate is whether health measures must be necessary under Article 8(1) to constitute a justification for the purposes of Article 20, or whether the reference to justification encompasses the basic principle that protecting public health is highly relevant to considering whether plain packaging is permissible under TRIPS.

We do not wish to duplicate that debate unnecessarily. However, we consider that the theoretical analysis of rights, privileges, and legitimate interests that this article has undertaken in the context of Article 20 plays an important part in the debate. Our analysis clearly

245. TRIPS Agreement art. 7.

246. *Id.*

247. *Id.*

248. Declaration on the TRIPS Agreement and Public Health, art. 5(a), WT/MIN(01)/Dec/2, 41 I.L.M. 755 (Nov. 14, 2001) [hereinafter Doha Declaration].

249. See, e.g., Daniel Gervais, *Plain Packaging and the TRIPS Agreement: A Response to Professors Davison, Mitchell and Voon*, 23 AUSTL. INTEL. PROP. J. 96 (2013) [hereinafter Gervais, *Response to Davison, Mitchell and Voon*].

demonstrates that there are circumstances in which a government's internationally recognizable legitimate interests may give rise to a claim right that defeats the privilege of use. In such circumstances, that government's power to restrict that use is not limited by Article 20.

Little doubt remains that Members have an internationally recognized claim right to protect public health. The WTO has confirmed this fact expressly in the Doha Declaration on TRIPS and Public Health.²⁵⁰ The Declaration does not simply acknowledge the legitimate interests of governments in health: it expressly uses the words "right to protect public health,"²⁵¹ just as the WTO used the word "right" or "rights" on the 131 occasions in the drafting of the TRIPS agreement. It also expressly acknowledges "a right . . . to use, to the full, the provisions in the TRIPS Agreement, which provide flexibility for this purpose."²⁵² The reference to a right of governments is entirely in keeping with the theoretical framework discussed in this article and the proposition that governments can have a claim right to severely restrict the privilege of using trademarks. If further evidence is required, the reference to a right of governments can be contrasted with the already-noted lack of a right of trademark owners to use a trademark. In the balancing of interests, the right to protect health will trump the privilege of using trademarks in the context of the concerns about tobacco packaging that are addressed above.

Apart from the express reference in paragraph four of the Doha Declaration to rights of government, paragraph five of the Doha Declaration goes on to provide:

Accordingly and in the light of paragraph four above, while maintaining

250. Doha Declaration, *supra* note 248, art. 4. This article does not, at this point, make any specific claim as to the interpretive status of the Doha Declaration. Others have debated that issue. *See, e.g.*, Tania Voon & Andrew Mitchell, *Implications of WTO Law for Plain Packaging of Tobacco Products*, in PUBLIC HEALTH AND PLAIN PACKAGING OF CIGARETTES: LEGAL ISSUES 109 (Tania Voon et al. eds., 2012); Gervais, *Response to Davison, Mitchell and Voon*, *supra* note 249. We are simply pointing out the obvious fact that nations have a claim right to protect the health of their citizens and that the Doha Declaration confirms this view. Complainants have the right to challenge the legal proposition that such a claim right exists.

251. Doha Declaration, *supra* note 248, art. 4.

252. *Id.* art. 4.

our commitments in the TRIPS Agreement, we recognize that these flexibilities include:

a. In applying the customary rules of interpretation of public international law, each provision of the TRIPS Agreement shall be read in the light of the object and purpose of the Agreement as expressed, in particular, in its objectives and principles.²⁵³

Notably, all but three members of the WTO are also members of the World Health Organization (“WHO”).²⁵⁴ Each of these co-members was a member of WHO prior to its membership of the WTO and has pledged itself, under Article 1 of the Constitution of WHO, to “the objective of . . . the attainment by all peoples of the highest possible level of health.”²⁵⁵ In having regard to this fact in interpreting Article 20, there can be and is no conflict with TRIPS nor any attempt to override TRIPS: the preamble to TRIPS itself states a desire by member states to “to establish a mutually supportive relationship between the WTO and other relevant international organizations,” of which WHO would be one. As noted previously, general principles of treaty interpretation require other relevant international legal obligations to be taken into account in interpreting TRIPS.²⁵⁶

In light of all that has been said above in relation to rights, privileges, and legitimate interests, plus other relevant international legal considerations, it is difficult to see how the protection of public health is not a legitimate interest of governments that is included within the concept of “justifiability” in Article 20. Indeed, it would distort the meaning of TRIPS, and threaten its integration and coherence with the broader framework of international legal principle, to interpret Article 20 in a contrary fashion. The formal reference to “justifiability” rather than “necessity” aligns with the concept of legitimate interests and with the proposition that governments enjoy the power to assert a claim right that restricts the privilege of using signs, including trademarks. In other words, the words and the principles all point in the same direction.

253. *Id.* art. 5.

254. The exceptions are Liechtenstein, Chinese Taipei, and the European Union.

255. Constitution of the World Health Organization, art. 1.

256. *See* discussion *supra* Part III.

H. THE ONUS OF PROOF

The theoretical analysis in which we have engaged contributes to another debate, about the onus of proof for the purposes of Article 20. Again, the matter has been explored elsewhere and we do not wish to repeat what has already been said by others.²⁵⁷ One view is that the onus is on a complainant to demonstrate that an encumbrance by special requirement is unjustifiable²⁵⁸ while the contrary view is that the onus is on the respondent to demonstrate that its encumbrances are justifiable. Given the wording “unjustifiably encumbered by special requirements,” the formalistic argument would seem to favor the former view or, at least, make such an interpretation clearly available.

The theoretical analysis that we offer here also favors the onus being on the complainant to demonstrate that encumbrances are unjustifiable. The legitimate interests of governments clearly give rise to a claim right against use in some circumstances, while trademark owners enjoy a privilege of use in others. A balancing of the respective interests is to be undertaken. In reality, both complainant and respondent will give evidence about the nature of those interests and how the evidence relates to those interests. The Panel, and if necessary, the Appellate Body, will then consider the balance of those interests, but it must decide what to do if the evidence suggests the interests are essentially equal in weight.

Given that Article 20 clearly contemplates circumstances in which governments may act upon a claim right, it follows that there are government interests that are entitled to respect and in relation to which the balance of reasons requires trademark owners to submit to a duty to respect those interests. On the other hand, Article 20 acknowledges no more than a privilege of trademark owners. It imposes no duty to facilitate use as opposed to a no-right to control use in some limited circumstances.²⁵⁹ The balance would therefore seem to favor the outcome of respecting the right rather than the

257. See Gervais, *Response to Davison, Mitchell and Voon*, *supra* note 249, at 103–05; Tania Voon & Andrew Mitchell, *Implications of WTO Law for Plain Packaging of Tobacco Products*, in *PUBLIC HEALTH AND PLAIN PACKAGING OF CIGARETTES: LEGAL ISSUES* 109, 124–25 (Tania Voon, Andrew Mitchell & Jonathan Liberman eds., 2012).

258. Voon & Mitchell, *supra* note 257, at 124–25.

259. TRIPS Agreement art. 20.

privilege in the event of uncertainty, especially in the light of the consequences of an error being made one way or the other. In particular, it needs to be remembered that the rights of registration and exclusion are maintained if the privilege of use is denied.²⁶⁰ Later challenges to the legislation can occur if the actual outcome of plain packaging is that it does not advance the legitimate interests of government. If, after proper implementation and execution, it does not actually justify the encumbrance on trademarks that it imposes, it will not be a permissible exercise of power under Article 20.²⁶¹ The privilege of use can then be restored. The position is different if the legislation is invalidated. Once successfully challenged, it is difficult to envisage the circumstances in which it can be later validated. The opportunity to justify that which may have been justifiable will have been lost.

I. DO THE INTERESTS OF THE STATE JUSTIFY A CLAIM RIGHT TO SUPPORT THE DUTIES IMPOSED ON TOBACCO COMPANIES BY PLAIN PACKAGING LEGISLATION?

To answer this question, we must weigh the interests of the State described above against the limited legitimate interest of trademark owners that is identified by Article 20, keeping in mind the foregoing remarks about onus of proof.²⁶² The question cannot be answered from a fixed position of the importance of trademarks to trademark owners, nor by reference to the full entitlements of trademark owners against other traders. Doing so fails to take into account the relational nature of property, rights, privileges and legitimate interests.

On the other hand, the legitimate interests of the State need to be considered in the context of the intellectual property in question. One cannot simply say “public health” or “social and economic welfare” or “balance of rights and obligations” and automatically win the day.

260. *Tobacco Plain Packaging Act 2011* (Cth) s 28(3) (Austl.).

261. Gervais, *Response to Davison, Mitchell and Voon*, *supra* note 249, at 109 (“A later case (or a second case against the same Member at a later date) in the face of actual empirical evidence on the effectiveness of a measure can be expected to be looked at differently. If plain packaging were indeed highly successful in meeting its public policy objectives, there would presumably be a push for its adoption by others Conversely, if plain packaging failed to further reduce smoking after a fair amount of time, justification would be a harder case to make.”).

262. *See* discussion *supra* Part IV.H.

The connection between those legitimate interests and the many different working parts of the international trademark system has been spelled out above in some detail.²⁶³

Finally, in balancing the respective interests of the State and tobacco trademark owners, some important aspects of the specific balance created by the plain packaging legislation need to be borne in mind. First, the legislation does not take away the rights of exclusion or even the opportunity to obtain the right of exclusion through registration.²⁶⁴ If the tobacco companies can win the hearts and minds of the Australian people in a democratic election, the government can alter the legislation and fully restore the privilege of use that existed prior to the plain packaging legislation. Tobacco companies can and do make donations to electoral parties that are prepared to accept those donations.²⁶⁵ They can and have run their own advertising campaigns against plain packaging legislation albeit with a spectacular lack of success.²⁶⁶ In that sense, the plain packaging legislation is temporary because it is no more permanent than any other legislation.

Second, the legislation applies to all tobacco packaging equally. It does not discriminate in favor of one trademark owner or against another.²⁶⁷ Third, and importantly, a very significant aspect of the privilege of use is maintained. As noted at the start of this article, the privilege of using word trademarks is maintained by the legislation.²⁶⁸ Due to the regulation of sale of tobacco prior to the plain packaging legislation, word trademarks were the primary, if not the sole means by which tobacco products were differentiated in the course of trade. Display of packaging at or prior to the point of sale

263. See discussion *supra* Part IV.E, IV.G.

264. See *TPP Act 2011* s 28.

265. See Margaret H. Winstanley, *The Tobacco Industry in Australian Society*, in *TOBACCO IN AUSTRALIA: FACTS AND ISSUES* 10.20 (Cancer Council ed., Becky Freeman rev., 2010). The Liberal Party of Australia continues to accept donations from Philip Morris Australia and British American Tobacco Australia whereas the Australian Labor Party ceased accepting donations from tobacco companies in 2004.

266. See, e.g., Rob Moodie, *Nanny Knows Best: Why Big Tobacco's Attack on Mary Poppins Ought to Backfire*, *THE CONVERSATION* (June 20, 2011), <http://theconversation.com/nanny-knows-best-why-big-tobaccos-attack-on-mary-poppins-ought-to-backfire-1851>.

267. See discussion *supra* Part IV.E.6.

268. See discussion *supra* Part II.

was already prohibited.²⁶⁹ The maintenance of the privilege of using word trademarks means that tobacco companies continue to have the opportunity to distinguish their products from other products and to do so by the prime means of distinguishing that existed prior to the plain packaging legislation.²⁷⁰ This maintenance of that critical part of the privilege of distinguishing one tobacco product from another tobacco product is part of the balancing of the interests of tobacco trademark owners with the legitimate interests of government.

Fourth, all commentators seem to agree that a government can simply prohibit the sale of tobacco altogether without that prohibition being subject to any scrutiny under TRIPS.²⁷¹ The theoretical basis upon which the government can do an end run around trademarks in this way is not clear. One might argue that if the sale of the product is prohibited, no *legitimate* interest exists in using trademarks to differentiate between different brands of the product. However, that would seem to avoid the logically prior question as to whether the government has a legitimate interest in banning the product, which underpins a claim right grounding a correlative duty not to sell the product, especially since the ban has the effect of both detrimentally affecting the right of exclusion and the privilege of use. Presumably, the Paris Convention requirement not to deny registration on the basis of the nature of the goods in question would not apply where the sale of the product is unlawful and both registration and the right of exclusion would be lost in due course.²⁷²

269. See discussion *supra* Part II.A.

270. Whether legislation could go further and prevent the use of all trademarks in relation to tobacco does not need to be considered at this point. As it stands, the legislation does permit the use of word trademarks. The issue was specifically addressed by Justice Crennan in her judgment in *JT Int'l SA v Commonwealth* [2012] HCA 43, 99 (Austl.) (“The complaint that the plaintiffs were deprived of the ‘substance’ and ‘reality’ of their proprietorship in their property because they could not use their registered trade marks as registered, or their associated product get-up, left out of account the significance of their ability to continue to use their brand names so as to distinguish their tobacco products, thereby continuing to generate custom and goodwill.”).

271. Gervais, *Response to Davison, Mitchell and Voon*, *supra* note 249, at 99; Gervais, *Compatibility of Certain Tobacco Product Packaging Rules*, *supra* note 114, ¶ 100; Frankel & Gervais, *supra* note 52, 1204–06.

272. If the position were otherwise, trademarks for heroin would not only be registrable but there would be an obligation to register them.

While scholars may disagree about the theoretical basis or justification for prohibiting the sale of (hitherto) trademarked products,²⁷³ a prohibition on any sales of tobacco would not likely benefit the interests of tobacco trademark owners. If the government has the power to impose a duty not to sell at all and its power to impose such a duty is unquestioned, that fact must have some implications for the balancing act under Article 20. If regulation short of prohibition does no greater damage to the relevant legitimate interests of tobacco trademark owners than prohibition, why does government not have the power to impose that regulation, particularly when (as noted above) tobacco trademark owners continue to enjoy the privilege of using their word trademarks to distinguish their products in the marketplace?

Fifth, we draw some comfort from the fact that the legal advice to major tobacco companies clearly indicated to them that they have no prospect of successfully resisting plain packaging legislation via TRIPS or GATT. In 1994, a number of tobacco companies held a conference addressing issues such as the possibility of plain packaging.²⁷⁴ A presentation to that conference stated that a working group had considered the issue with a strong legal accent.²⁷⁵ The conclusion of the working group expressed in the overhead slide to the conference was literally: "GATT/TRIPS little joy."²⁷⁶ We agree

273. See, e.g., Gervais, *Compatibility of Certain Tobacco Product Packaging Rules*, *supra* note 114, ¶ 110 (stating that WTO Members can ban "certain" products, suggesting that there are some products that cannot be banned and thereby enlivening the question of which products can be banned and on what basis).

274. Fax from Souza Cruz on Tobacco Strategy Group Meeting of May 11, 1994 (May 5, 1994) (on file with the Legacy Tobacco Documents Library, Univ. of California-San Francisco).

275. The precise wording of the relevant slide was,

- Plain pack group

- Terms of reference

- Review attacks on designs and trademarks

- Identify opportunities for action

- Membership

- BAT, PMI, RJR, Rothmans, Rheemstma, Imperial UK, Gallaher

- Strong legal accent

See Presentation Slides from the British Am. Tobacco Co. to the WHO (Mar. 4, 1999) (on file with the Legacy Tobacco Documents Library, Univ. of California-San Francisco).

276. The precise wording of the entire relevant slide was,

with the legal conclusion implicit in that statement but do not necessarily agree with the sentiment accompanying it. The occasional suggestion that Article 20 was specifically drafted with plain packaging in mind is news to tobacco companies.²⁷⁷ Ultimately, there is good reason for believing that the real complaint of tobacco companies is the loss of a chance to further promote their product. Their interest in doing so was never legitimate.

V. CONCLUSION

All of the above could be put into the following, relatively brief statements. First, trademark owners do not have a right to use their trademarks, nor do they have something more than a privilege that approaches a right. They have a privilege of using their trademarks.

Second, in considering the extent to which the privilege is defeasible, attention must be paid to the relationship between trademark owners and those claiming a right to prevent the exercise of the privilege. Other traders have little or no legitimate interest in preventing the exercise of the privilege of use. In that sense and in the context of that relationship, the privilege of use is not subject to significant limitations.

Third, governments, as regulators of trademarks in a manner that does not favor other traders, do have significant interests in preventing the exercise of the privilege. In that sense and in the context of that relationship, the privilege of use is subject to very

Findings

- Current conventions & treaties afford little protection
- GATT/TRIPS little joy
- Other industry groupings little support
- Domestic political solutions needed

See id.

277. *See* Stephen Stern & Olivia Draudins, *Generic Packaging – A Bridge (Over the Bodies of IP Rights) Too Far?*, 23 AUSTL. INTELL. PROP. L. BULL. 146 (2011) (citing Memorandum from Michael Arblaster, Trade Mark Technical Pol’y & Projects, Deputy Registrar of Trade Marks, IP Australia, to Karen Tipler, Domestic Policy Section, IP Australia (Feb. 18, 2009)) (disclosed in response to a Freedom of Info. request); *see also* Peter Drahos, 35 EUR. INTELL. PROP. REV. 367, 368 (2013) (reviewing GERVAIS, TRIPS DRAFTING HISTORY AND ANALYSIS, 4th Edition, *supra* note 129) (“[T]he first policy proposals for plain packaging did not appear until the late 1980s in Canada. By then the tobacco industry, which was well ahead of most industries in understanding the global power of brands, was an enthusiastic supporter of strong global trade mark protection.”).

significant limitations.

Fourth, the privilege is particularly defeasible in the context of public health and the promotion of tobacco via the use of signs to promote consumption.

Last, Article 20 acknowledges points one to three, by permitting States to defeat the privilege via the assertion of claim rights against trademark owners when such claim rights are justifiable, that is, are grounded in internationally recognizable legitimate interests that defeat those of trademark owners. In light of our fourth point, plain packaging is likely to be justifiable in this sense and hence permissible under Article 20.