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# Smoke 'Em if You Got 'Em: Intellectual Property Rights in the Tobacco Industry Going Up in Smoke

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# SMOKE ‘EM IF YOU GOT ‘EM: INTELLECTUAL PROPERTY RIGHTS IN THE TOBACCO INDUSTRY GOING UP IN SMOKE

*Kristen Lease\**

*The Tobacco Plain Packaging Act (TPPA) was passed in Australia in 2011 and set restrictions on the appearance of tobacco packages. The restrictions limited the use of trademarks to only the brand name, and banned any use of distinctive colors or images. Tobacco growing nations believed this restriction on trade dress violated Article 20 of the Trade-Related Aspects of Intellectual Property Rights (TRIPS) Agreement, which guarantees that no restriction may unjustifiably encumber intellectual property. Article 8 of the TRIPS Agreement, however, allows for encumbrances when it is intended to promote the protection of public health and safety. The tobacco growing nations brought a complaint to the World Trade Organization (WTO), alleging the TPPA violated the TRIPS Agreement.*

*This Note analyzes the WTO case law to determine whether the tobacco growing countries will succeed on their claim, or if Australia may successfully argue the TRIPS Article 8 health exception allows the restriction. The Note also discusses the purpose of the WTO—whether the WTO is the best mediator between a government’s right to implement health-based restrictions and an intellectual property holder’s guaranteed right of freedom from restrictions, and the potential ramifications of the WTO’s decision. This Note concludes that the TPPA is an unjustifiable encumbrance under the TRIPS Agreement and that the WTO’s Dispute Settlement Panel should find the TPPA violates the TRIPS Agreement.*

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I. INTRODUCTION

Big Tobacco is the bad guy in everyone's story. Big Tobacco is the company that knows its products will kill a person, and possibly those around the smoker, and yet it still pushes its products on people. Big Tobacco is not concerned with the health of its consumers; Big Tobacco is only concerned with the economic bottom line. It is almost impossible to escape the image of Big Tobacco as the greedy villain.

Comedian John Oliver reinforced this stereotype on his show, *Last Week Tonight with John Oliver*, by mocking the legal maneuvers of Philip Morris International, the epitome of Big Tobacco.<sup>1</sup> Philip Morris International engaged in numerous legal battles in an attempt to prevent countries, such as Australia,<sup>2</sup> Togo,<sup>3</sup> and Uruguay,<sup>4</sup> from

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1. *Last Week Tonight with John Oliver: Tobacco* (HBO television broadcast Feb. 15, 2015).
  2. *JT International SA v Commonwealth* [2012] HCA 43 (Austl.) (where tobacco companies unsuccessfully challenged Australia's Tobacco Plain Packaging Act).
  3. Sabrina Tavernise, *Tobacco Firms' Strategy Limits Poorer Nations' Smoking Laws*, N.Y. TIMES (Dec. 13, 2013), [http://www.nytimes.com/2013/12/13/health/tobacco-industry-tactics-limit-poorer-nations-smoking-laws.html?\\_r=0](http://www.nytimes.com/2013/12/13/health/tobacco-industry-tactics-limit-poorer-nations-smoking-laws.html?_r=0) [<https://perma.cc/Q8K2-8JYG>] (discussing warning letters sent from tobacco companies to African countries warning laws that include trade dress repression will run afoul of international treaties).

incorporating graphic pictorial warning labels and reducing or removing the trade dress of tobacco companies.

Oliver smarmily stated, “it’s clear what each side wants: countries want to warn their citizens about the health dangers of smoking tobacco; tobacco companies want to be able to present branded images that they’ve spent time and money to cultivate. So now I suggest a compromise. I present to you the new face of Marlboro: Jeff the Diseased Lung in a Cowboy Hat.”<sup>5</sup>

The parodied new mascot looks exactly as it sounds: an anthropomorphized diseased lung wearing a large yellow cowboy hat and red cowboy boots. The lung is covered in dark spots and has a cigarette in its mouth. Oliver gleefully states how popular it is with children. Jeff, the Diseased Lung in a Cowboy Hat, is the perfect blend; he embodies the countries’ health-based fears and Phillip Morris’s former Marlboro Man cowboy campaign. This mascot calls out Philip Morris for its corporate villainy. While Oliver’s segment is a humorous jab at Big Tobacco, it is not the entire story to this legal battle.

Imagine a man walking into a convenience store after realizing he ran out of milk at home. He grabs the half-gallon and strolls up to the cashier, intending to buy a pack of cigarettes as well. The man glances at the wall behind the counter, making sure the store has his brand—Marlboro Red. Searching the wall for the crisp red and white package with a regal crest in the middle, the man suddenly wrinkles his brow in confusion. Staring back at him are emaciated, cancer ridden bodies with rotting teeth, and blackened lungs. He asks the clerk in an uncertain tone if she has his brand, his Marlboro Reds. The clerk turns to the wall, squinting to read the tiny print at the bottom of each package. Finally the clerk spots the Marlboro Reds, and hands them to the man so he can complete his purchase.

The situation does not seem entirely grave—it only momentarily confuses the man trying to buy cigarettes and the clerk is able to grab the right package after a minute of searching. Trademark erosion, however, thrives on these little moments. These are the moments where a customer might be too overwhelmed to sift through packages and ultimately give up on purchasing the good. The increased search cost becomes a burden on the consumer. This increased search cost is what Australia relied on when it passed the Australian Tobacco Plain Packaging Act (TPPA), restricting trade dress on tobacco packages.

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4. Philip Morris Brand Sàrl, Philip Morris Products S.A. and Abal Hermanos S.A. v. Oriental Republic of Uruguay, ICSID Case No. ARB/10/7, Mar. 15, 2011 (where Philip Morris claimed Uruguay’s increase in warning label size violated a bilateral treaty between Uruguay and Switzerland).
  5. *Last Week Tonight with John Oliver*, *supra* note 1.

Australia hoped to deter tobacco consumers from purchasing tobacco products to promote a healthier lifestyle.<sup>6</sup> The price for this healthier world, though, is the repression of intellectual property rights.

The World Trade Organization (WTO) will decide if Australia's TPPA violates the Trade-Related Intellectual Property Rights Agreement (TRIPS), which sets a minimum level of intellectual property rights' protection across the world. There is a battle between WTO case law and public policy on which is a more appropriate guiding force for achieving reduced tobacco usage: consumers' rights or public health restrictions. The issue lies in the language of the TRIPS Agreement. The WTO must decide: (1) is the TPPA an encumbrance of trademark rights; and (2) does the public health exception to the protection of intellectual property rights apply. I believe that because the answer is in the negative on both questions, the WTO should, therefore, require Australia to remove the trade dress repression requirements from the TPPA.

## II. BACKGROUND

Although fewer people worldwide are smoking daily, population growth has increased the number of smokers.<sup>7</sup> The knowledge of the health dangers caused by tobacco may have led to the decrease in smoking. Scientific studies consistently find that tobacco leads to coronary heart disease, stroke, and lung cancer.<sup>8</sup> Institutions such as the World Health Organization (WHO) recognize serious risks associated with tobacco usage and strive to eradicate the use.<sup>9</sup> Tobacco usage, such as smoking, is universally regarded as dangerous by the medical community and by policy makers.

In addition to health groups, governments across the globe wage war on tobacco. Governments regulate the tobacco industry with taxes and advertising restrictions in hopes of reducing tobacco usage.<sup>10</sup> Certain taxes are placed on tobacco products to sway the consumer

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6. *Tobacco Plain Packaging Act 2011* (Cth) No.148 (Austl.).
  7. Marie Ng, et al., *Smoking Prevalence and Cigarette Consumption in 187 Countries, 1980-2012*, 311 J. AM. MED. ASS'N 183, 186 (Jan. 8, 2014).
  8. Centers for Disease Control and Prevention, *Smoking & Tobacco Use: Health Effects of Cigarette Smoking*, available at [http://www.cdc.gov/tobacco/data\\_statistics/fact\\_sheets/health\\_effects/effects\\_cig\\_smoking/](http://www.cdc.gov/tobacco/data_statistics/fact_sheets/health_effects/effects_cig_smoking/) [<http://perma.cc/AZT5-NEPD>] (last visited Jan. 14, 2015).
  9. World Health Organization, *Tobacco Free Initiative*, available at <http://www.who.int/tobacco/en/> [<http://perma.cc/GCN8-5CGP>] (last visited Jan. 8, 2015).
  10. World Health Organization, *Tobacco Free Initiative*, available at <http://www.who.int/tobacco/control/en/> [<https://perma.cc/X5YU-SKCT>] (last visited Jan. 8, 2015).

from purchasing them, as well as providing the government with more tax dollars to cover potential medical costs associated with tobacco use.<sup>11</sup> There are also limits on when and where consumers can use these products.<sup>12</sup> Examples of these regulations include a ban on advertising tobacco products.<sup>13</sup> Despite these efforts, tobacco is used by a growing amount of the population.<sup>14</sup> With the obvious issues associated with tobacco consumption, it seems only natural that health organizations and governments attempt to limit the further use of tobacco. So, in the battle against tobacco, intellectual property rights are the unintentional casualties.

The TPPA is a piece of legislation that works to greatly reduce the consumers' ability to identify the brand they smoke.<sup>15</sup> The Australian Parliament passed the TPPA in December 2011, in an attempt to curb tobacco usage in Australia.<sup>16</sup> According to the TPPA,

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11. World Health Organization, *Tobacco Free Initiative: Taxation* (Jan. 21, 2015), <http://www.who.int/tobacco/economics/taxation/en/> [<http://perma.cc/XD89-SQFE>] (“On average, a 10% price increase on a pack of cigarettes would be expected to reduce demand for cigarettes by about 4% in high-income countries and by about 5% in low- and middle-income countries, where lower incomes tend to make people more sensitive to price changes. Children and adolescents are also more sensitive to price increases than adults, allowing price interventions to have a significant impact on this age group.”).
  12. These limitations vary by location. In the United States, “36 states, along with the District of Columbia, American Samoa, the Northern Mariana Islands, Puerto Rico, and the U.S. Virgin Islands, have laws in effect that require non-hospitality workplaces and/or restaurants and/or bars and/or state-run gambling establishments to be 100% smokefree.” *Overview List-How Many Smokefree Laws?*, AM. NONSMOKERS' RTS. FOUND. (Oct. 2, 2015), <http://www.no-smoke.org/pdf/mediaordlist.pdf> [<http://perma.cc/2A78-FSJ5>]
  13. *Tobacco Advertising Prohibition Act 1992* (Cth) pt. 3 (Austl.).
  14. Ng et al., *supra* note 7, at 183.
  15. *Reducing the Appeal of Smoking – First Experiences with Australia’s Plain Tobacco Packaging Law*, WORLD HEALTH ORG. (May 2013), available at [http://www.who.int/features/2013/australia\\_tobacco\\_packaging/en/](http://www.who.int/features/2013/australia_tobacco_packaging/en/) [<http://perma.cc/5NWP-5LSB>].
  16. Before passing the TPPA, the Australian government released a memorandum discussing the reasoning behind the legislation. Approximately three million Australians still smoked before the TPPA went into effect in December of 2012. The government stated, “Tobacco smoking remains one of the leading causes of preventable death and disease among Australians, killing over 15,000 Australians every year. The social costs of smoking (including health costs) are estimated at \$31.5 billion each year...The Government is committed to reaching the performance benchmarks set under the COAG National Healthcare Agreement of reducing the national smoking rate to 10 per cent of the population by 2018 and halving the Aboriginal and Torres Strait

packaging “must be drab dark brown.”<sup>17</sup> There is an exception that allows trademarks of the actual name of the brand to appear on the package, but any other logos, designs, or colors may not appear.<sup>18</sup> There are also numerous restrictions for the product names that may appear on the tobacco package, such as restricting font to ten point Lucida Sans in either black or white ink.<sup>19</sup> This effectively serves as a ban on tobacco trade dress. The goal is to make the tobacco packages less appealing to consumers, specifically youths who have not used tobacco yet, but might in the future.<sup>20</sup> The plain packaging requirements are paired with the requirement to display graphic images of certain negative health effects resulting from the use of tobacco.<sup>21</sup>

Though governments have previously placed restrictions on tobacco advertising, the TPPA’s restriction aggressively infringes on the intellectual property of tobacco companies by placing excessive limitations on the package. Advertising is meant to sell the specific product and the advertisement is viewed by the consumer in isolation

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Islander smoking rate.” *Tobacco Plain Packaging Bill 2011* (Cth) 1 (Austl.).

17. *Tobacco Plain Packaging Act 2011*(Cth) ch 2 pt 2 s 19(2)(b)(ii) (Austl.).
18. *Id.* at ch 2 pt 2 s 20.
19. *Id.* at ch 2 pt 2 s 21 (“Any brand, business or company name, or any variant name, for cigarettes that appears on a cigarette pack or cigarette carton: (a) must not obscure any relevant legislative requirement; and (b) must not appear more than once on any of the following outer surfaces of the pack or carton: (i) for a cigarette pack—the front, top and bottom outer surfaces of the pack; (ii) for a cigarette carton—the front outer surface of the carton, and the 2 smallest outer surfaces of the carton”); *Tobacco Plain Packaging Regulations 2011* (Cth) pt 2 div 3 s 2(c) (Austl.) (“The origin mark must be printed: (i) in the typeface known as Lucida Sans; and (ii) no larger than 10 points in size; and (iii) in a normal weighted regular font; and (iv) in either black or white”).
20. *Tobacco Plain Packaging Bill*, *supra* note 16, at 1 (“the rationale of the bill is to reduce the attractiveness and appeal of tobacco products to consumers, particularly young people”).
21. The Australian government requires graphic health warnings on tobacco packages. These images can take up to 90% of the front of the package and display images of sick or damaged bodies with phrases such as “smoking causes mouth and throat cancer” and “smoking causes emphysema.” While these images are inflammatory and are meant to make tobacco less appealing, they do not impact the discussion of a trademark ban, and therefore are not discussed in depth in this note. *Set A Health Warnings-Cigarette Packs*, AUSTRALIAN GOV’T DEP’T HEALTH, (Aug. 28, 2012), <http://www.health.gov.au/internet/main/publishing.nsf/Content/tobacco-warn-A> [<http://perma.cc/7CGP-ZAQ4>].

from the competitor's products.<sup>22</sup> In real life, when purchasing a product a consumer will be faced with the competitors' products side-by-side on the shelf. Though trade dress is partly created to make the product more alluring and marketable than a purely utilitarian package, the primary goal of trade dress is to assist consumers in distinguishing one product from another.<sup>23</sup> A government limitation on a consumer's ability to distinguish products from each other is too far reaching of a restriction.

These trademark restrictions prompted a legal reaction from the tobacco companies. British American Tobacco, Imperial Tobacco Australia Limited, Philip Morris, and Japan Tobacco International unsuccessfully sued the Australian government over the TPPA's trademark ban, alleging it was a taking.<sup>24</sup> They argued the restrictions were a taking because they deferred potential profits and reduced the investment the tobacco companies made in creating the trademarks.<sup>25</sup> The case moved to the Australian High Court, but was ultimately unsuccessful.<sup>26</sup> The High Court held the TPPA did not constitute a taking because the Australian government did not take any actual profits from the tobacco companies.<sup>27</sup> At best, the government merely deterred potential customers from buying the product, but that was not a taking by the Court's standard.<sup>28</sup>

After failing to defeat the TPPA in the Australian High Court, tobacco growing countries raised a claim with WTO alleging a

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22. *Market Segmentation*, REFERENCE FOR BUS., available at <http://www.referenceforbusiness.com/encyclopedia/Man-Mix/Market-Segmentation.html> [<http://perma.cc/E2SB-JRGK>] (last visited Apr. 15, 2016).
23. *Blue Bell, Inc. v. Farah Mfg. Co.*, 508 F.2d 1260, 1264 (1975).
24. *JT International SA v. Commonwealth* [2012] HCA 43 (Austl.).
25. *Id.* at ¶¶42-44.
26. See generally *JT International SA v. Commonwealth*, *supra* note 24.
27. See generally *JT International SA v. Commonwealth*, *supra* note 24; see Jonathan Liberman, *Plainly Constitutional: The Upholding of Plain Tobacco Packaging by the High Court of Australia*, 39 AM. J. L. & MED. 361, 370-71 (2013).
28. *JT International SA v Commonwealth*, *supra* note 24 ("The TPP Act is not a law by which the Commonwealth acquires any 'interest in property, however slight or insubstantial it may be'. The TPP Act is not a law with respect to the acquisition of property. It is therefore not necessary to consider the Commonwealth's attempt to articulate a principle which would set legislation effecting an acquisition of property otherwise than on just terms beyond the reach of s 51(xxxi) on the ground that the legislation is a reasonable regulation of some activity for the greater good of society. The arguments advanced by the tobacco companies are answered by the logically anterior conclusion that the TPP Act effects no acquisition of property.").

violation of the Trade-Related Aspects of Intellectual Property Rights (TRIPS) Agreement.<sup>29</sup> The TRIPS Agreement was designed to set a floor for international intellectual property rights, allowing the owners of intellectual property rights in one country to consistently use their intellectual property across the world.<sup>30</sup> All countries must abide by the common TRIPS Agreement articles in order to participate in the World Trade Organization.<sup>31</sup> Specifically, Article 20 of the TRIPS Agreement requires that:

[T]he 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.<sup>32</sup>

There are certain limitations to the protection of intellectual property under the TRIPS Agreement. One of the most important limitations is under Article 8. Article 8 of the TRIPS Agreement creates an exception that allows restrictions on intellectual property

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29. Cuba, Dominican Republic, Honduras, Indonesia, and Ukraine all brought a complaint against Australia over the Tobacco Plain Packaging Act. Complaint, *Australia — Certain Measures Concerning Trademarks and Other Plain Packaging Requirements Applicable to Tobacco Products and Packaging* DS 434, 435, 467, 441, 458, available at <http://dfat.gov.au/international-relations/international-organisations/wto/wto-dispute-settlement/Documents/procedural-agreement.pdf> [<http://perma.cc/GC3M-LS5R>] (last visited Apr. 15, 2016).
  30. The TRIPS Agreement came into effect on January 1, 1995. The Agreement sets a minimum standard for all areas of intellectual property, including copyright, patent, and trademark. The three main components of the Agreement are (1) standards, (2) enforcement, and (3) dispute settlement. All WTO members must agree to the TRIPS Agreement if they want to be a part of the WTO. See *Overview: The TRIPS Agreement*, WORLD TRADE ORG., [http://www.wto.org/english/tratop\\_e/trips\\_e/intel2\\_e.htm](http://www.wto.org/english/tratop_e/trips_e/intel2_e.htm) [<http://perma.cc/89PL-PBE2>]; see generally DANIEL GERVAIS, *THE TRIPS AGREEMENT: DRAFTING HISTORY AND ANALYSIS* (3d ed. 2008).
  31. There is some debate as to whether TRIPS requirements serve as a maximum, or “floor,” for developed countries and a minimum, or “ceiling,” for developing countries. Regardless, Australia is considered a developed country for the purposes of this note and therefore the minimum standard applies. For more information regarding the floor/ceiling debate. See THE GLOBAL INTELLECTUAL PROPERTY CENTER, *TRIPS: FLOOR VERSUS CEILING 2-4* (2010), available at [http://www.theglobalipcenter.com/sites/default/files/reports/documents/TRIPS\\_FloorVsCeiling\\_WP\\_1\\_10\\_2.pdf](http://www.theglobalipcenter.com/sites/default/files/reports/documents/TRIPS_FloorVsCeiling_WP_1_10_2.pdf) [<http://perma.cc/4RAD-JKHN>].
  32. Agreement on Trade-Related Aspects of Intellectual Property Rights art. 20, Apr. 15, 1994, 1869 U.N.T.S. 299.

rights for the protection of health.<sup>33</sup> When a conflict arises between Article 20 and Article 8 of the TRIPS Agreement, the WTO will determine which Article takes precedence. The WTO will use a dispute settlement panel to interpret the TRIPS claim according to the international rules of dispute resolution established by the Vienna Convention.<sup>34</sup> An organization or country invoking the health exception must illustrate the necessity of applying the health exception using standards set by prior cases in front of the WTO.

The WTO panel should hold the TPPA is an unjustifiable encumbrance of trademark use, and it is not protected by the public health exception. Though the TPPA is meant to protect human health by reducing tobacco usage, the means of achieving this are in clear violation of the TRIPS Agreement because states have other means of protecting human health. Additionally, the TPPA does not meet the standards for a health exception to the TRIPS Agreement.<sup>35</sup> The WTO should recognize the violation by Australia and mandate Australia remove the trade dress repression requirement of the TPPA. If the WTO panel does not recognize the TRIPS violation, it will set a devastating precedent for intellectual property rights, or lack thereof.

### III. ARTICLE 20 ANALYSIS

Not only must member countries provide for trademark rights, but Article 20 of TRIPS states a country may not unjustifiably encumber use of intellectual property.<sup>36</sup> The WTO did not explicitly state what an unjustifiable encumbrance would consist of, but a ban on trade dress is clearly an unjustified encumbrance. The WTO panel should find the restrictions by the TPPA are an unjustified encumbrance in violation of the TRIPS Agreement because the restrictions ban trade dress, restrict a consumer's ability to distinguish different products from each other, and can result in loss of trade dress rights in Australia.

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33. *Id.* at art. 8 (“Members may, in formulating or amending their laws and regulations, adopt measures necessary to protect public health and nutrition, and to promote the public interest in sectors of vital importance to their socio-economic and technological development, provided that such measures are consistent with the provisions of this Agreement.”).

34. For an in depth discussion of the TRIPS Agreement interpretation under the Vienna Convention, see Susy Frankel & Daniel Gervais, *Plain Packaging and the Interpretation of the TRIPS Agreement*, 46 VAND. J. TRANSNAT'L L. 1149, 1166-1171(2013).

35. *See id.* at 1206.

36. Agreement on Trade-Related Aspects of Intellectual Property Rights, *supra* note 32.

*A. The Restrictions Ultimately Serve as a Ban on Tobacco Trade Dress  
for Tobacco Packages*

Intellectual property rights are intended to give an author or creator control for a limited time of their own creative product while giving society the benefit of that creative product.<sup>37</sup> Trademarks are meant to help the consumer identify the source of a product, guaranteeing a set quality for the consumer.<sup>38</sup> Signature packaging design, logos, and names help reduce search cost by the consumer.<sup>39</sup> Increased search cost could cause consumers to either get the product they do not want or to expend resources determining which product before them is the favored one. Without the assistance of trademarks and trade dress on the outer appearance of a product, there would be confusion among consumers about what product was what.<sup>40</sup> If a tobacco company does not entice a consumer with alluring trade dress and a guaranteed experience related to the products trademark, there is little stopping a consumer from simply picking another version of that product.

The TPPA effectively acts as a suppression of trademark rights by restricting the trade dress on tobacco packages. A trademarked name, or wordmark, is still allowed on the package, but the tobacco

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37. *What is Intellectual Property?*, WORLD INTELL. PROP. ORG., available at <http://www.wipo.int/about-ip/en/> [<http://perma.cc/WXZ4-Y5WT>].

38. 1-1 Gilson on Trademarks § 1.03 (1974) (“A term, symbol, object or sensation functions as a trademark and is accorded legal protection when it designates the source or origin of a product or service so as to distinguish that product or service from the products or services of others, even if the source is, to the consumer, anonymous. A trademark is a species of property that denotes a particular standard of quality embodied in the product or service, symbolizes the good will of its owner, and represents an advertising investment. Trademark law protects the public from confusion and deception and makes it easier for consumers to choose the products and services they want.”).

39. WILLIAM M. LANDES & RICHARD A. POSNER, *STRUCTURE OF INTELLECTUAL PROPERTY LAW* 173 (Harvard University Press, 2003) (explaining that the “Search Costs Theory” argues “trademarks lower consumers’ search costs by “providing them with valuable information about brands and encourage quality control rather than create social waste and consumer deception”).

40. A trademark is defined as “a distinctive mark, motto, device, or emblem, which a manufacturer stamps, prints, or otherwise affixes to the goods he produces, so that they may be identified in the market, and their origin be vouched for.” *What is Trade-mark?*, L. DICTIONARY, <http://thelawdictionary.org/trade-mark/> [<http://perma.cc/VB45-2JWG>]. Trade dress is defined as the “Visual impression that is made by totality of all elements used to package or present a service or good for sale giving it a recognizable look.” *What is trade dress?*, L. DICTIONARY, <http://thelawdictionary.org/trade-dress/> [<http://perma.cc/P3UE-RJYG>].

company must display the wordmark with plain lettering in a specific font and color.<sup>41</sup> There is no room for creativity or individuality on the new tobacco packages under the TPPA. Any logos or special colors are not allowed on the new packages.<sup>42</sup> The intellectual property, designed and registered by tobacco companies, is banned from display simply because it makes the cigarette packages look more desirable. The TPPA is an outright ban of trade dress. If that is not an “encumbrance” then it is difficult to determine what might qualify as one.

### 1. Restrictions Cause Consumer Confusion

The main purpose of trademark protection is to help consumers distinguish competing products from one another.<sup>43</sup> When each brand of similar products bears a different name and package design, consumers can readily distinguish between brands. Once the consumer determines which brand is which, the consumer comes to expect a specific quality and experience from that product based on the understanding that all products bearing that name or design are from the same place.

The image of the Apple trademark on a phone or computer, for example, instantly triggers a number of reactions relating to that product in the consumers’ minds. With an image as simple as an apple with a bite taken out of it, the consumer understands that product, the software that goes along with it, the history of the company, and the connotation of owning that product. Not every trademark is as evocative or well known as the Apple trademark, but the intent is the same: to relate the product to a specific source and guarantee a specific quality or experience. With tobacco, trademarks and trade dress are essential to marketing the product. Most tobacco users do not just want any pack of cigarettes, they want their specific brand;<sup>44</sup> trademarks and trade dress help that consumer make sure he or she gets the pack they want.

Without any trademarks or trade dress on the tobacco packages, consumers cannot as easily and quickly determine the brand of the tobacco product. When customers in Australia go to purchase their tobacco product they no longer see any truly distinguishing marks on

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41. *Tobacco Plain Packaging Act* 2011(Cth) ch 2 pt 2 s 19, 20 (Austl.).

42. See David W. Freeman, *Australian court Oks Cigarette Logo Ban*, CBS NEWS (Aug. 14, 2012, 10:36 PM), available at <http://www.cbsnews.com/news/australian-court-oks-cigarette-logo-ban/> [http://perma.cc/2GJB-PJ26].

43. See *Qualitex Co. v. Jacobson Prods. Co.*, 514 U.S. 159, 163 (1995).

44. For more information on brand loyalty to cigarettes, see John Dawes, *Cigarette Brand Loyalty and Purchase Patterns: An Examination Using US Consumer Panel Data*, 67 J. BUS. RES. 1993, 1941 (2014).

the packages, which would help them know what was what. Under the TPPA, tobacco companies may display the brand name of the tobacco on the package, but it must be in small, plain font.<sup>45</sup> The TPPA restrictions require customers to take a closer look at the packages, because the only outward difference is the name alone.

## 2. Restrictions Could Result in a Loss of Tobacco Companies' Trademark Rights in Australia

Trademark rights groups fear that the TPPA will effectively force tobacco companies to lose their trademark rights in Australia. In Australia, a trademark owner must use their trademark in order to retain legal rights to the trademark.<sup>46</sup> A trademark is protected from another person or organization from using it for five years after registering with the Australian Trade Mark Office, but afterwards it may become vulnerable to unauthorized use by others. If, during the five year protected period, the trademark is not used "in Australia in good faith in relation to all or some of the goods and services claimed by the registrant," then the trademark may be removed from the Register.<sup>47</sup>

Trademarks specifically made for the tobacco package are registered as such. For example, the traditional Marlboro logo where the name Marlboro is displayed along with a coat of arms and the phrase "veni, vedi, vici" was registered by Philip Morris Brands Sarl as Trademark 126011 in December of 1955.<sup>48</sup> The trademark is registered for class 34 cigarettes.<sup>49</sup> That means Philip Morris can only use that specific registered trademark for the sale of cigarettes. With the TPPA restrictions, Philip Morris cannot use that trade dress on Australian packages and after three years of non-use the Register will potentially remove Trademark 126011. All of the time and money spent on planning that trademark will be lost. If the TPPA is repealed after this three-year period, there is a fear by the International Association for the Protection of Intellectual Property

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45. *Tobacco Plain Packaging Act 2011* (Cth) ch 2 pt 2 s 20 (Austral.).

46. Loss of Trademark Rights, INT'L TRADEMARK ASS'N (2015), *available at* <http://www.inta.org/TrademarkBasics/FactSheets/Pages/LossofTrademarkRightsFactSheet.aspx> [<http://perma.cc/384B-62Q3>].

47. JENNY MACKIE AND DAWN LOGAN KEFFEE, A REFERENCE GUIDE TO THE AUSTRALIAN TRADEMARK SYSTEM 5, 53-55 (2009), *available at* <http://www.ipa.org/wp-content/uploads/2013/04/AGuidetoAustralianTrademarks.pdf> [<http://perma.cc/54EA-7NRX>].

48. *Trade Mark:126011*, IP AUSTR., *available at* <http://pericles.ipaustralia.gov.au/atmoss/Falcon.Result> [<http://perma.cc/L56Z-6VMV>] (Jan. 9, 2015).

49. *Id.*

that another enterprising company could quickly register that same mark for their own cigarettes.<sup>50</sup>

#### IV. ARTICLE 8 ANALYSIS

Though tobacco manufacturers are likely to successfully demonstrate that the TPPA encumbers their trademark usage, the question remains whether the repression of trade dress rights are unjustifiably encumbered in the face of the health risks posed by tobacco usage. Australia may respond to the WTO claim by arguing that Australia is allowed to encumber trade dress under TRIPS's Article 8, the public health exception. The Article allows encumbrances of intellectual property "necessary to protect public health and nutrition...provided that such measures are consistent with the provisions of this Agreement."<sup>51</sup>

There are few instances where TRIPS's Article 8 is invoked in a complaint and addressed by a WTO panel.<sup>52</sup> However, the WTO previously interpreted a similar public health exception under the General Agreement on Tariffs and Trade (GATT).<sup>53</sup> *Korea-Beef*, for

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50. Philip Morris and other tobacco companies could qualify for excusable non-use because the TPPA is a legal prohibition on the trade dress and the restriction is external to the company's ability to control use. The Australian courts have not covered this issue of non-use due to a statute outside of a post-war restriction preventing the importation of milking machines, which allowed the claim of excusable non-use. *See The Requirement of Genuine Use of Trademarks for Maintaining Protection: Group Reports Australia*, INTERNATIONAL ASSOCIATION FOR THE PROTECTION OF INTELLECTUAL PROPERTY 10-11 (2011).
  51. Agreement on Trade-Related Aspects of Intellectual Property Rights, *supra* note 32.
  52. Those disputes that came before the WTO have not specifically dealt with the public health exception under Article 8, but generally discussed that Article 8 "reflect[s] the fact that the TRIPS Agreement does not generally provide for the grant of positive rights to exploit or use certain subject matter, but rather provides for the grant of negative rights to prevent certain acts. This fundamental feature of intellectual property protection inherently grants Members freedom to pursue legitimate public policy objectives since many measures to attain those public policy objectives lie outside the scope of intellectual property rights and do not require an exception under the TRIPS Agreement." *See Panel Report, European Communities--Protection of Trademarks and Geographical Indications for Agricultural Products and Foodstuffs*, WTO Doc. WT/DS90/R, (adopted March 15, 2005) *available at* [https://docs.wto.org/dol2fe/Pages/FE\\_Search/FE\\_S\\_S009-DP.aspx?language=E&CatalogueIdList=51102,50621,87603,68882&CurrentCatalogueIdIndex=0&FullTextHash=](https://docs.wto.org/dol2fe/Pages/FE_Search/FE_S_S009-DP.aspx?language=E&CatalogueIdList=51102,50621,87603,68882&CurrentCatalogueIdIndex=0&FullTextHash=) [<https://perma.cc/P5WP-UMFQ>].
  53. Countries, "recognizing that their relations in the field of trade and economic endeavor should be conducted with a view to raising standards

example, was a WTO dispute about a requirement that imported beef be sold in separate stores, which benefited local beef retailers.<sup>54</sup> The WTO Appellate Body determined that analysis of a regulation “involves in every case a process of weighing and balancing a series of factors which prominently include the contribution made by the compliance measure to the enforcement of the law or regulation at issue [and] the importance of the common interests or values protected by that law or regulation.”<sup>55</sup> In analyzing the TPPA, the WTO panel will similarly consider all of the interests in the regulation. With the health exception analysis taken into consideration, Australia will face a great challenge in justifying the trademark ban under Article 8 of TRIPS.

*A. Whether a Restriction is Necessary*

The Australian argument will hinge on whether the TPPA is necessary for protection of human health. GATT Article XX(b) states that so long as regulations “necessary to protect human, animal or plant life or health” are “not applied in a manner which would constitute a means of arbitrary or unjustifiable discrimination between countries where the same conditions prevail, or a disguised restriction on international trade,” they are fine to exist.<sup>56</sup>

Other cases are more helpful in establishing how the panel will determine whether the trade dress ban is an unjustifiable encumbrance on intellectual property rights. *EC-Asbestos* involved a French ban on asbestos<sup>57</sup> where the Appellate Body stated human health is “both vital and important in the highest degree.”<sup>58</sup>

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of living, ensuring full employment and a large and steadily growing volume of real income and effective demand, developing the full use of the resources of the world and expanding the production and exchange of goods, being desirous of contributing to these objectives by entering into reciprocal and mutually advantageous arrangements directed to the substantial reduction of tariffs and other barriers to trade and to the elimination of discriminatory treatment in international commerce,” decided to enact the GATT to enable international trade. The General Agreement on Tariffs and Trade pmbl., Apr. 15, 1994, 1867 U.N.T.S. 187 (1994).

54. Appellate Body Report, *Korea—Measures Affecting Imports of Fresh, Chilled and Frozen Beef*, ¶ 3, WTO Doc., WT/DS161/AB/R, WT/DS169/AB/R, (adopted December 11, 2000) available at [https://www.wto.org/english/tratop\\_e/dispu\\_e/161-169abr\\_e.pdf](https://www.wto.org/english/tratop_e/dispu_e/161-169abr_e.pdf) [<http://perma.cc/FE7A-VUYR>] [hereinafter, *Korea—Beef*].

55. *Id.* at ¶ 164.

56. The General Agreement on Tariffs and Trade art. XX(b), Apr. 15, 1994, 1867 U.N.T.S. 187 (1994).

57. Appellate Body Report, *European Communities — Measures Affecting Asbestos and Products Containing Asbestos*, ¶ 9 WT/DS135/AB/R (adopted Mar. 12, 2001),

The Appellate Body, in *EC-Asbestos* also stated that in determining whether a regulation is necessary, the WTO must consider if an alternative is reasonably available.<sup>59</sup> In the case of *EC-Asbestos*, the Appellate Body found there were no reasonable alternatives to achieving the goal of halting asbestos exposure other than the ban France instituted.<sup>60</sup> Importantly, the Appellate Body found that administrative difficulties in implementing another plan did not cease to make a plan reasonable.<sup>61</sup> Tobacco usage is harmful to human health; there is no disputing that fact. However, an outright ban on tobacco trade dress is not the best way to achieve a goal of protecting the health of those living in Australia.

In the present case, unlike *EC-Asbestos*, there are reasonable alternatives to the ban on trade dress. Australia's goal under the TPPA is to reduce tobacco usage among youths; Australia argues youths will not want to use tobacco if the image on the package is less enticing. Unlike the asbestos ban in France, the TPPA was not passed with the explicit goal of completely halting any additional exposure to a harmful substance. Instead, the Australian government has a long-term goal of reducing tobacco usage over time by targeting youths likely to adopt the habit.<sup>62</sup> While it is unclear if packaging alone could encourage a teen to begin smoking, there is evidence that the design, shape, and color of cigarette packages can influence the appeal of smoking.<sup>63</sup> However, the evidence supporting this conclusion

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[https://www.wto.org/english/tratop\\_e/dispu\\_e/135abr\\_e.pdf](https://www.wto.org/english/tratop_e/dispu_e/135abr_e.pdf)  
[<http://perma.cc/J7ZT-ESWC>] [hereinafter *EC-M-Measures*].

58. *Id.* at ¶ 172.
59. *Id.* (“We indicated in *Korea – Beef* that one aspect of the ‘weighing and balancing process ... comprehended in the determination of whether a WTO-consistent alternative measure’ is reasonably available is the extent to which the alternative measure ‘contributes to the realization of the end pursued.’ In addition, we observed, in that case, that ‘[t]he more vital or important [the] common interests or values’ pursued, the easier it would be to accept as ‘necessary’ measures designed to achieve those ends”).
60. *Id.* at ¶ 174.
61. *Id.* at ¶ 169.
62. *Introduction of Tobacco Plain Packaging in Australia*, AUSTRALIAN GOVERNMENT DEPARTMENT OF HEALTH (Aug. 11, 2014), *available at* <http://www.health.gov.au/internet/main/publishing.nsf/content/tobacco-plain> [<http://perma.cc/Y338-5DUV>].
63. Allison Ford, et al., *How Adolescents Perceive Cigarette Packaging and Possible Benefits of Plain Packaging*, 31 *EDU. & HEALTH* 83, 87 (2013) (“The findings show that adolescents are susceptible to messages communicated by branded pack design. Smaller and lighter coloured packs implied reduced harm. Brighter coloured packs and those with distinctive designs generated strong positive user imagery and were associated with young, attractive and happy people. In this regard,

was funded by the UK Centre for Tobacco Control Studies and consisted of only eight small focus groups in Glasgow where, at the end of each session, those teens surveyed and the surveyor had a “discussion to ensure that the groups did not encourage participants to perceive cigarettes and smoking favourably, and participants were given written information to take away.”<sup>64</sup>

One of the tobacco producing countries bringing suit against Australia could easily come up with a reasonable alternative to the TPPA that does not require suppressing trade dress rights. For example, the government could target youths with an advertising campaign discussing the dangers of smoking.

*B. Effectiveness of the Restriction*

In considering all of the panel and appellate body reports, the standard for achieving the health exception under GATT is under a fact based inquiry.<sup>65</sup> A proponent of the measure does not need to prove the measure is effective; a proponent simply needs to prove the measure makes a material contribution towards the goal.<sup>66</sup> The WTO will not uphold a regulation if there are reasonable alternatives.<sup>67</sup>

In order for Australia to succeed, it must argue that the TPPA makes a material contribution to the goal of reducing teen tobacco usage. In *Brazil-Retreaded Tyres*, Brazil banned the import of retreaded tyres, and the WTO Appellate Body Report held that the body creating the regulation does not need to prove the effectiveness

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packaging was able to soften the negative smoking attitudes that many adolescents held. Of particular concern, benefits were presented to adolescents through tobacco packaging: functional benefits, including convenience and discretion; emotional benefits, particularly more positive feelings about themselves and smoking; and information on harm and strength, due to shape and colour. Comparatively, plain packaging reduced these benefits. It simply exposed tobacco as being harmful and dirty, something for older heavy smokers. This suggests that plain packaging may be an effective way to reduce the ability of the tobacco industry to communicate with adolescents through pack design.”).

64. *Id.* at 84. The study was sponsored by a group with a clear intention to reduce tobacco usage. The study was also too small to extrapolate global conclusions on the role of tobacco packaging because it consisted of only eight focus groups of 15 year-olds in one city in Scotland. If Australia were to put forth similar assertions the country would require a larger study based focused on Australian youths.
65. *Korea—Beef*, *supra* note 54.
66. *See Brazil — Measures Affecting Imports of Retreaded Tyres*, ¶ 210 WT/DS332/AB/R (Dec. 3, 2007) [hereinafter *Brazil—Retreaded Tyres*].
67. *United States - Section 337 of The Tariff Act of 1930*, ¶ 5.26 L/6439 - 36S/345 (Nov. 7, 1989).

of the regulation.<sup>68</sup> The Appellate Body recognized that certain environmental and health regulations take time to make the desired impact.<sup>69</sup>

After recognizing this unavoidable delay in impact, *Brazil-Retreaded Tyres* clarified how a proponent of a ban under Article XX of the GATT could demonstrate the bans effectiveness without concrete proof of the bans effectiveness:

In order to justify an import ban under Article 20(b), a panel must be satisfied that it brings about a material contribution to the achievement of its objective. Such a demonstration can of course be made by resorting to evidence or data, pertaining to the past or the present, that establish that the import ban at issue makes a material contribution to the protection of public health or environmental objectives pursued. This is not, however, the only type of demonstration that could establish such a contribution. Thus, a panel might conclude that an import ban is necessary on the basis of a demonstration that the import ban at issue is apt to produce a material contribution to the achievement of its objective. This demonstration could consist of quantitative projections in the future, or qualitative reasoning based on a set of hypotheses that are tested and supported by sufficient evidence.<sup>70</sup>

This rule benefits Australia by allowing them to indicate the trademark ban will lead to a reduction in tobacco consumption. The TPPA was passed in December 2011, and went into effect in December 2012, meaning there is not currently much data<sup>71</sup> on any change in tobacco use in Australia.<sup>72</sup> The available data shows a modest decrease in the number of daily smokers.<sup>73</sup> However, the

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68. *Brazil — Retreaded Tyres*, *supra* note 66.

69. *Brazil — Retreaded Tyres*, *supra* note 66, at ¶ 151.

70. *Brazil — Retreaded Tyres*, *supra* note 66, at ¶ 153.

71. Sales of tobacco are not available to the public, however, according to the Australian Bureau of Statistics, total consumption of tobacco and cigarettes, as measured by estimated expenditure on tobacco products, decreased from \$3.508 billion in December of 2012 to \$3.405 billion in March of 2014. *Tobacco Key Facts and Figures*, AUSTRALIAN GOV'T DEP'T HEALTH (August 26, 2015) *available at* <http://www.health.gov.au/internet/main/publishing.nsf/content/tobacco-kff> [<https://perma.cc/QD64-BDR6>].

72. *Australia's World First Plain Packaging*, MCCABE CTR. L. & CANCER, *available at* <http://www.mccabecentre.org/australias-world-first-plain-packaging> [<http://perma.cc/U7AQ-3AFR>].

73. Between 2010 and 2013 the number of daily smokers aged 14 and older declined from 15.1% of people in Australia to 12.8%, approximately a 200,000 person decrease. AUSTRALIAN INSTITUTE HEALTH & WELFARE,

decrease is a reflection of a general trend of declining tobacco usage in Australia.<sup>74</sup> In addition to the plain packaging restrictions, Australia utilized numerous other restrictions in an effort to decrease tobacco use.<sup>75</sup> In analyzing the reason for smoking behavior changes, 47% of those surveyed stated cost was the main reason for quitting.<sup>76</sup> Health warnings, strangely, declined as a reason for why smokers quit from 15.2% in 2010 to 11.1% in 2013.<sup>77</sup> Australia will have a difficult time correlating the decline in tobacco usage to the introduction of the TPPA because: (1) TPPA legislation was newly introduced and data is scarce; (2) numerous other measures Australia used to decrease tobacco use started at a similar time; (3) and there is a demonstrated general decline in tobacco use overall. This means Australia will likely rely on “quantitative projections and qualitative reasoning” to prove the trademark ban will make a material contribution to the goal of curbing tobacco use.<sup>78</sup>

Both the TRIPS and the GATT health exception cases indicate it is plausible for either the tobacco growers or the Australian government to succeed. Australia will likely succeed in proving tobacco usage among youths is an issue that requires some type of

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NATIONAL DRUG STRATEGY HOUSEHOLD SURVEY: DETAILED REPORT 19 (2013) *available at* <http://www.aihw.gov.au/WorkArea/DownloadAsset.aspx?id=60129549848> [http://perma.cc/858T-A4HB].

74. *Id.* (“Since 1991, the proportion of daily smokers has almost halved, and has declined to the lowest levels seen over the 22-year period. There has also been a corresponding rise in the proportion who have never smoked from 49% in 1991 to 60% in 2013.”)
75. National measures included: excise increases on tobacco; education programs and national campaigns; plain packaging of tobacco products; labelling tobacco product packaging with updated and larger graphic health warnings; prohibiting tobacco advertising, promotion and sponsorship; [and] providing support for smokers to quit including through subsidies for smoking cessation supports on the Pharmaceutical Benefits Scheme.” State and territory measures include: “minimum age restrictions on purchase of tobacco products; retail display bans; bans on smoking in offices, bars, restaurants and other indoor public spaces, and increasingly in outdoor places, particularly where children may be exposed to tobacco smoke; the banning of smoking in a car carrying children; extensive and continuing public education campaigns on the dangers of smoking; and support for ‘Quitlines’ and other smoking cessation support services to help people quit.” *Id.* at 18.
76. *Id.* at 28.
77. *Id.*
78. *International Trade Law, Plain Packaging and Tobacco Industry Political Activity: The Trans-Pacific Partnership*, TOBACCO CONTROL (June 20, 2013), <http://tobaccocontrol.bmj.com/content/early/2013/06/19/tobaccocontrol-2012-050869.full> [http://perma.cc/N8G4-F3GC].

regulation in the name of protecting human health. The strength of Australia's argument depends on how the WTO panel interprets the facts of the case and whether it believes reasonable alternatives exist. If the tobacco growing countries can provide reasonable alternatives to the trademark ban that would still reduce tobacco use amongst the youth, then the tobacco companies would likely win their entire case, forcing the WTO to order Australia to repeal the TPPA as a violation of TRIPS.

#### V. INTENT OF TRIPS AND THE WTO AND A BALANCE OF THE ARTICLES

The WTO panel's analysis of Australia's TPPA will not occur in a vacuum. It must take into consideration the goals of the TRIPS Agreement as well as the purpose of the WTO as a whole. In considering all of these factors, it is clear the panel should decide that the TPPA is an unjustifiable encumbrance of intellectual property where the health exception does not apply.

The TRIPS Agreement is intended to create a minimum standard for intellectual property rights.<sup>79</sup> TRIPS requires that, no matter what country an intellectual property rights holder is in, the holder can expect a certain level of respect for their intellectual property rights. There are limited exceptions where a country has the right to raise the floor. For example, in TRIPS Article 17 a country may discriminate against trademarks that are only descriptive.<sup>80</sup> In general, however, there is a guaranteed level of treatment of intellectual property rights. The reason behind this guaranteed level is that the WTO wants to encourage trade based around intellectual property.<sup>81</sup> If countries do not respect intellectual property rights, then that encourages the rights holder not to do business in that country. The WTO must determine what specific level of rights intellectual property holders are given under the TRIPS Agreement in order to ensure the free flow of trade.

The WTO itself is a beacon of international trade protection. It was established in 1995 with the entire purpose of protecting

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79. *Overview: the TRIPS Agreement*, *supra* note 30.

80. Agreement on Trade-Related Aspects of Intellectual Property Rights art. 17, Apr. 15, 1994, 1869 UNTS 299.

81. The TRIPS Agreement is seen as one of the three pillars of the World Trade Organization, where the other two pillars are trade in goods, covered by the General Agreement on Trade and Tariffs, and trade in services. *Frequently Asked Questions about TRIPS in the WTO*, WORLD TRADE ORG., available at [http://www.wto.org/english/tratop\\_e/trips\\_e/tripfq\\_e.htm#SingleUndertaking](http://www.wto.org/english/tratop_e/trips_e/tripfq_e.htm#SingleUndertaking) [perma.cc/EKU7-S7RK] (last visited (Feb. 16, 2015)).

international trade.<sup>82</sup> With that goal came the tendency for the WTO's Dispute Settlement Board to issue pro-complainant rulings.<sup>83</sup> This creates a pro-trade bias in adjudicating disputes.<sup>84</sup> The goals and history of the WTO Dispute Settlement indicate Australia will fail in defending the TPPA.

When the goal of an organization is to facilitate trade around intellectual property, any threat to that should be suspect. The WTO panel must view Australia's infringement of trademark rights with suspicion and Australia must prove to the WTO that there is a compelling reason for its infringement of tobacco trademarks. Protection of public health is compelling, but there should be a clear relation between the regulation and the public health issue. In this case, a trademarked image on a cigarette package does not have enough relation to why teenagers start smoking. Cigarette packaging acts as a form of advertising, but it is unclear if the actual packaging encourages a teenager to use tobacco, or if there is simply a recognized brand.

Australia's TPPA is unquestionably an encumbrance of intellectual property rights. The Act's essential ban on tobacco trademarks means that tobacco companies cannot use their intellectual property simply because the Australian government fears there is a correlation between trade dress and youths choosing to use tobacco products. While the TPPA is clearly an encumbrance, the only question the WTO will likely grapple with is whether it is justifiable for protecting human health. Though there are serious

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82. *Understanding the WTO: Who We Are*, WORLD TRADE ORG. (Feb. 16, 2015), [http://www.wto.org/english/thewto\\_e/whatis\\_e/who\\_we\\_are\\_e.htm](http://www.wto.org/english/thewto_e/whatis_e/who_we_are_e.htm) [perma.cc/T77D-8M3A] (“The system’s overriding purpose is to help trade flow as freely as possible — so long as there are no undesirable side effects — because this is important for economic development and well-being. That partly means removing obstacles. It also means ensuring that individuals, companies and governments know what the trade rules are around the world, and giving them the confidence that there will be no sudden changes of policy. In other words, the rules have to be ‘transparent’ and predictable.”).
83. WORLD TRADE ORGANIZATION, WORLD TRADE REPORT 273 (2007), [https://www.wto.org/english/res\\_e/booksp\\_e/anrep\\_e/world\\_trade\\_report07\\_e.pdf](https://www.wto.org/english/res_e/booksp_e/anrep_e/world_trade_report07_e.pdf) [perma.cc/4AXH-9CWJ] (“Both under the GATT (82 per cent) and the WTO (88 per cent) complainants have mostly won their cases.”).
84. Juscelino Colares, *A Theory of WTO Adjudication: From Empirical Analysis to Biased Rule Development*, 42 VAND. J. TRANSNAT'L L. 383, 387 (2009) (arguing, “the pro-Complainant tendency prevailing in all forms of WTO adjudication is likely the result of biased rule development. Specifically, it theorizes that the DSB has evolved WTO norms in a manner that consistently favors litigants whose interests are generally aligned with the unfettered expansion of trade”).

health risks associated with tobacco usage, there are other reasonable alternatives to reducing tobacco use in Australia. Australia was the first country to ban trademarks on tobacco packages.<sup>85</sup> Other countries are attempting alternative reasonable methods to achieve the same end. In the United States of America the Surgeon General found that “coordinated, multicomponent interventions that combine mass media campaigns, price increases including those that result from tax increases, school-based policies and programs, and statewide or community-wide changes in smokefree policies and norms are effective in reducing the initiation, prevalence, and intensity of smoking among youth and young adults.”<sup>86</sup> While the WHO mentions graphic picture warnings, bans on advertisements, and high taxes on tobacco as ways to decrease tobacco use.<sup>87</sup>

In order to determine whether the TPPA is a justifiable encumbrance, the WTO may consider whether trademarks are advertising. The *World Health Organization Framework and Convention on Tobacco Control* required that countries signing the treaty “undertake a comprehensive ban of all tobacco advertising, promotion and sponsorship.”<sup>88</sup> The treaty defined “tobacco advertising and promotion” as “any form of commercial communication, recommendation or action with the aim, effect or likely effect of promoting a tobacco product or tobacco use either directly or indirectly.”<sup>89</sup> The WHO has not accused any country of violating the terms of this treaty by allowing trade dress on tobacco packages. Advertising restrictions issues have not been raised before the WTO, and therefore are unlikely to be considered encumbrances under TRIPS Article 20. Trade dress repression is different from advertising restrictions. Arguments for advertising restrictions cannot easily translate to trade dress repression. A trade dress repression is clearly out of sync with the language and intent of TRIPS, and therefore is an encumbrance under Article 20. If trademark images are not considered advertisements, then Australia will likely fail in their

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85. Brian Focarino, *Big Tobacco Heads to Court over Cigarette Plain Packaging Laws*, IPWATCHDOG (July 19, 2015), available at <http://www.ipwatchdog.com/2015/07/19/big-tobacco-heads-to-court-over-cigarette-plain-packaging-laws/id=59664/> [perma.cc/8U39-4RRU].
86. U.S. DEP'T HEALTH & HUMAN SERV., PREVENTING TOBACCO USE AMONG YOUTH AND YOUNG ADULTS: A REPORT OF THE SURGEON GENERAL 8 (2012).
87. *Media Center: Tobacco*, WORLD HEALTH ORG. (July 6, 2015), available at <http://www.who.int/mediacentre/factsheets/fs339/en/> [perma.cc/QZ54-5AM2].
88. WORLD HEALTH ORGANIZATION, WHO FRAMEWORK AND CONVENTION ON TOBACCO CONTROL 11 (2005).
89. *Id.* at 4.

argument that trademark bans are necessary for reducing teen tobacco usage.

The legal system established by the WTO is meant to prevent any arbitrary restriction on trade by governments when the restriction fails to convey an observable benefit to the regulated society. The TPPA is an arbitrary restriction with no real evidence it will make any material step in the goal of reducing youth tobacco usage. Without such evidence, there is no need for the WTO to uphold the trade dress repression requirements of the TPPA.

## VI. POTENTIAL IMPACT IF THE WTO UPHOLDS THE TPPA

Intellectual property is about giving consumers a permanent creative benefit in return for the intellectual property owner gaining a few temporary rights. Copyright confers the benefit of music, film, and literature; patents serve as the basis for smartphones, airplanes, and medicine; and trademarks, though not as flashy as other intellectual property types, give consumers the ability to choose and to choose well.<sup>90</sup> These are great social benefits for the population.

Intellectual property should not be infringed unless there is an overwhelming public health reason for it. Regulation of trade dress and regulation of public health largely operate in separate spheres. This is not a point where the two spheres overlap. There is a tenuous connection between trade dress packaging and its influence on tobacco consumption by youths.

There is a slippery slope if Australia wins and the TPPA remains intact. If the WTO upholds the TPPA, other countries are likely to adopt similar regulations. Ireland is already planning a similar law, but understandably is waiting for the WTO panel decision until making a serious commitment to implementing their tobacco plain packaging law.<sup>91</sup> The United Kingdom passed legislation to introduce standardized tobacco packaging in May of 2016, and the packaging would include graphic health-warning images as well as the brand

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90. See generally Julius R. Lunsford, Jr., *Consumers and Trademarks: The Function of Trademarks in the Market Place*, 64 TRADEMARK REP. 75, 95 (1974) (“Consumers need trademarks as a protection against spurious and falsely marked goods. Edward S. Rogers considered trademarks a necessary support of a free economy. He did not believe that we can have competition if we do not distinguish the competing goods and give the purchasers a chance to choose between them.”).

91. Trefis Team, *Philip Morris Braces for Ireland’s Tobacco Plain Packaging Legislation*, FORBES (Oct. 8, 2014), <http://www.forbes.com/sites/greatspeculations/2014/10/08/philip-morris-braces-for-irelands-tobacco-plain-packaging-legislation/> [perma.cc/Y5T6-SHPN].

name in a standard size and font.<sup>92</sup> Even France, a country known for its smoking habit, is considering a law like the TPPA.<sup>93</sup> In theory that does not seem like a terrible idea. The laws might reduce tobacco use, which would in turn create a healthier populace. However, according to the Australian Institute of Health, tobacco usage is declining generally; using trade dress repression to speed up the decline is an unnecessary infringement of intellectual property rights.

Health is important but so is choice. Consumers should have the right to choose. While the trade dress ban does not take away a consumer's right to choose, it greatly inhibits that choice. The trademark and the packaging associated with it are there to help a consumer distinguish between products. When a consumer sees that color, image, or word he instantly knows who makes that product. While he might not know Marlboro comes from Switzerland, he knows Marlboro cigarettes will have a specific flavor and other identifying markers unique to that brand. By covering cigarette packages in large, gruesome warning labels and eliminating all but word marks, which are reduced to a plain font and color, these regulations reduce a consumer's ability to make an informed choice.

A win for Australia's Plain Packaging Act could lead to more unhealthy products having similar limitations. Trademark associations fear this would set a precedent and inspire similar restrictions for many other products such as alcohol, soda, and sugary foods.<sup>94</sup> All of those products can also cause serious health issues in those who consume them, and perhaps in a few years trademarks for Lucky Charms and Sam Adams will also have bans. This ruling begs the question, at what point does a government decide for customers what products they can consume?

## VII. CONCLUSION

The WTO panel should not apply the health exception to the TPPA's encumbrance of trademark rights because neither case law nor social policy supports such a determination. Trade dress

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92. Frances Perraudin, *MPs Pass Legislation To Introduce Standardised Cigarette Packaging*, GUARDIAN (Mar. 11, 2015), <http://www.theguardian.com/politics/2015/mar/11/mps-pass-legislation-introduce-standardised-cigarette-packaging> [perma.cc/W2TR-NKMP].
  93. Ruth Bender, *France Mulls Plain Packaging Law for Cigarettes*, WALL ST. J. (Sept. 25, 2014), <http://www.wsj.com/articles/france-mulls-plain-packaging-law-for-cigarettes-1411664017>.
  94. *See generally* International Trademark Association, *Letter to Assistant Secretary Drug Strategy Branch* (Jan. 8, 2015), <http://www.inta.org/Advocacy/Documents/June32011.pdf> [perma.cc/6P9V-UH59].

suppression is clearly an unjustifiable encumbrance of intellectual property rights under the TRIPS Agreement. Australia cannot reasonably argue the trademark ban is necessary to induce a decline in teen tobacco use when there are reasonable alternatives to the plan which would not involve such extreme restrictions. If the WTO panel agrees with Australia's arguments it will be an erosion of intellectual property rights.

It is easy to take trademark rights away from the Big Tobacco companies without any real concern about the greater harm of the action. There is clear evidence their products harm their customers. It appears almost inevitable that smoking or chewing tobacco will lead to cancer. Big Tobacco is an easy target for punishment and removal of rights. The question is when should governing bodies, both domestic and international, have the right to take away another's rights? If the WTO panel agrees with Australia, it is not just another victory against tobacco; it is a blow for intellectual property.

The WTO panel should side with the tobacco growing countries in the suit. Australia's argument for the ban is weak both legally and socially. Any impact on tobacco use by banning trademarks is speculation and there are numerous alternatives to achieving the same goal. As a social policy, a ban reducing a consumer's ability to distinguish between goods is completely against the purpose of trademarks, intellectual property, and the World Trade Organization.

Philip Morris International wrote a letter in response to John Oliver's segment criticizing Philip Morris's tactics.<sup>95</sup> Though their letter contained mostly canned responses about how Oliver conflated the facts, it did reflect a truth in the reality of the conflict between health protection and intellectual property. Philip Morris stated, "like any other company with a responsibility to its business partners, shareholders and employees, we ask only that laws protecting investments, including trademarks, be equally applied to us."<sup>96</sup> Simply because Big Tobacco is an easy villain does not mean the laws and protections do not apply to them. Under the TRIPS Agreement the answer is clear: the TPPA is an unjustified encumbrance of intellectual property rights.

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95. *Taking Comedic License With A Selection Of The Facts*, PHILIP MORRIS INT'L (Feb. 16, 2015), available at <http://justthefacts.pmi.com/918/perma.cc/9FS9-LUKG>].

96. *Id.*