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COMPARING APPLES AND ORANGES IN TRADEMARK LAW: CHALLENGING THE INTERNATIONAL AND CONSTITUTIONAL VALIDITY OF PLAIN PACKAGING OF TOBACCO PRODUCTS

SARAH A. HINCHLIFFE

ABSTRACT

Plain packaging, a new tobacco control tool being considered by a growing number of countries, mandates the removal of all attractive and promotional aspects of tobacco product packages. As a result of plain packaging, the only authorized feature remaining on a tobacco package is the brand name, displayed in a standardized font, size, color, and location on the package. At issue is the meaning of “use” of trademarks on plain packaging, and whether plain packaging amounts to the creation of an invalid encumbrance. The tobacco industry and other regulated sectors (including wine, fast-food, and pharmaceuticals) also believe that plain packaging jeopardizes trademark rights and contravenes certain Constitutional provisions. In particular, they argue that governments do, and are, in fact, capable of “acquiring,” property, or that governments could be construed as “taking” property on unjust terms, contrary to Constitutional guarantees. The tobacco industry’s efforts to fight plain packaging in the courts have, however, proven futile thus far—particularly in Australia.

This article, after introducing the reader to the dawn and rationale of plain packaging from a quasi-legal and marketing perspective, examines the compatibility of normative arguments for plain packaging within the international framework for trademark protection (as preserved in the TRIPS Agreement). It then looks at the way in which these arguments and that framework have shaped the constitutional validity of plain packaging of tobacco products in the United States and Australia.

In drawing on these jurisdictions that, alongside the European Union, incorporate rather aggressive tobacco control legislation, this paper highlights the nuanced geographic and legal contexts that complicate global regulatory control, which play an important role in advancing global public health in the face of trade-related objections. Finally, this paper proposes methods for dealing with current legal challenges to global tobacco control regulations and suggests that there are strong arguments to deny private entities that seek to establish a successful case by purporting to invalidate plain packaging legislation.

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INTRODUCTION

Once upon a time, a packet of cigarettes came with a glitzy logo, rich foil sleeves, and romantic language describing the pleasures within. But ever since it was scientifically proven that smoking harms your health, legislators around the world have tried to curb cigarette marketing on the grounds of public health.¹ Tobacco manufacturers, on the contrary, try to undermine this activity.

The newest trend in tobacco control policy is a concept known as “plain packaging,” a mandatory standardized package with a certain appearance containing large health warnings.² The use of items such as trademarks and logos is not allowed.³ Canada was the first country to try to introduce plain packaging in 1994; that effort failed primarily due to concerns regarding the trademark rights of the tobacco manufacturers—not to mention violations of international obligations.⁴

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¹ See Michael Siegel et al., *Preemption in Tobacco Control, Review of an Emerging Public Health Problem*, 278 JAMA 858, 858 (1997) (documenting the “effort to reduce morbidity and mortality caused by tobacco products”); Jonathan Nadel et al., *Disparities in Global Tobacco Harm Reduction*, 95 AM. J. PUB. HEALTH 2120, 2120 (2005) (comparing the “rigorous tobacco control measures” in the United States with varying efforts by different Asian countries); Lawrence O. Gostin, *Global Regulatory Strategies for Tobacco Control*, 298 J. AM. MED. ASS’N 2057, 2057 (2007) (commenting on regulatory efforts to curb tobacco use in North America and Western Europe).

² *Look What They’ve Done to my Brands: Cigarette-Makers Will Weather the Spread of Plain Packaging Laws*, ECONOMIST, Nov. 17, 2012, available at <http://www.economist.com/news/business/21566682-cigarette-makers-will-weather-spread-plain-packaging-laws-look-what-theyve-done-my/print>. It is to be noted that tobacco control comprises numerous facets. In this regard, “plain packaging” is to be distinguished from requirements (albeit statutory) to place certain health warnings on tobacco products. While both may raise issues of commercial freedoms imposed on tobacco companies, the former (and indeed the focus in this article) may be described as imposing a narrower restriction.

³ *Tobacco Plain Packaging Act 2011* (Cth) s 20 (Austl.) [hereinafter *TPPA 2011*].

⁴ PHYSICIANS FOR SMOKE-FREE CAN., THE PLOT AGAINST PLAIN PACKAGING 2, 35–37 (2008), available at http://www.smoke-free.ca/pdf_1/plotagainstplainpackaging-apr1%27.pdf. At present, there have been numerous complaints submitted to the World Trade Organization concerning the Tobacco Plain Packaging Act. See WTO Dispute Settlement Summary, *Australia—Certain*

The plain packaging efforts in Australia is more successful. Much to the dismay of tobacco manufacturers and related entities, cigarette packaging in Australia is not pretty: brand names must be printed in a uniform font on a dull, olive-brown background, with large, graphic images of gangrenous limbs and diseased internal organs.⁵ The High Court of Australia recently upheld the Plain Packaging Act, creating a globally significant legal precedent that supports plain packaging from a constitutional law perspective and that recognizes the nature of intellectual property rights.⁶

While most doctrinal contributions on the subject of tobacco plain packaging have focused on the complex interplay between tobacco control and trade and the linkage between tobacco control and investment treaty guarantees,⁷ there has been little written on the intersection of public rights and private property rights under Constitutional mandates and international treaties.

This article considers the approaches to plain packaging legislation in two distinct, but relatively active jurisdictions with respect to health policy, Australia

Measures Concerning Trademarks and Other Plain Packaging Requirements Applicable to Tobacco Products and Packaging, DS434 (Complainant: Ukraine), available at http://www.wto.org/english/tratop_e/dispu_e/cases_e/ds434_e.htm (last visited Sept. 22, 2013); WTO Dispute Settlement Summary, *Australia—Certain Measures Concerning Trademarks, Geographical Indications and Other Plain Packaging Requirements Applicable to Tobacco Products and Packaging*, DS441 (Complainant: Dominican Republic), available at http://www.wto.org/english/tratop_e/dispu_e/cases_e/ds441_e.htm (last visited Sept. 22, 2013); WTO Dispute Settlement Summary, *Australia—Certain Measures Concerning Trademarks, Geographical Indications and Other Plain Packaging Requirements Applicable to Tobacco Products and Packaging* DS435 (Complainant: Honduras), http://www.wto.org/english/tratop_e/dispu_e/cases_e/ds435_e.htm (last visited Sept. 22, 2013).

⁵ See generally *TPPA 2011*, supra note 3, s 19(2) (mandating plain packaging of tobacco by Dec. 1, 2012). The Bill passed through the House of Representatives in late August and the Senate on November 10, 2011. Press Release, Austl. Minister for Health & Ageing, Senate Passes World First Plain Packaging of Tobacco Legislation (Nov. 10, 2011), available at [http://www.health.gov.au/internet/ministers/publishing.nsf/Content/52869225DE7EE77BCA2579440077F9BE/\\$File/NR238.pdf](http://www.health.gov.au/internet/ministers/publishing.nsf/Content/52869225DE7EE77BCA2579440077F9BE/$File/NR238.pdf).

⁶ *JT Int'l SA v Commonwealth* (2012) HCA 43, 45–46 (Austl.).

⁷ See generally Jeffrey Drope & Raphael Lencucha, *Tobacco Control and Trade Policy: Proactive Strategies for Integrating Policy Norms*, 34 J. PUB. HEALTH POL'Y 153, 154–55 (2013), available at <http://www.palgrave-journals.com/jphp/journal/v34/n1/full/jphp201236a.html> (arguing that trade does not necessarily always win over tobacco control following the World Health Organization's 2005 Framework Convention on Tobacco Control); Benn McGrady, *Trade Liberalisation and Tobacco Control: Moving from a Policy of Exclusion Towards a More Comprehensive Policy*, 16 TOBACCO CONTROL 280, 280 (2007) (explaining how trade liberalization endangers effective tobacco control and heightens consumption); Ellen R. Shaffer et. al., *International Trade Agreements: A Threat to Tobacco Control Policy*, 14 TOBACCO CONTROL (SUPPLEMENT II) ii19, ii19 (2005) available at http://tobaccocontrol.bmj.com/content/14/suppl_2/ii19.full (discussing the deleterious effect of trade agreements on human rights and health through the promotion of tobacco use and the protection of the tobacco industry); Matthew C. Porterfield & Christopher R. Byrnes, *Philip Morris v. Uruguay: Will Investor-State Arbitration Send Restrictions on Tobacco Marketing up in Smoke?*, *Investment Treaty News*, INT'L INST. FOR SUSTAINABLE DEV. (July 12, 2011), <http://www.iisd.org/itn/2011/07/12/philip-morris-v-uruguay-will-investor-state-arbitration-send-restrictions-on-tobacco-marketing-up-in-smoke/> (exploring the international investment issues arising from Philip Morris' challenge to Uruguay's tobacco regulations).

and the United States. It seeks to clarify the prevalence of conceded arguments that adequately challenge the normative, constitutional, and legal validity of legislation introducing plain packaging laws. Part I introduces normative themes, including the prevalence of property-rights' recognition and an economic rights perspective with respect to trademark law. It is argued that this, in turn, precipitates legal arguments both in support of and against plain packaging of tobacco products. Part II then outlines the state of international law, including the quashing of imposts under the Agreement on Trade-Related Aspects of Intellectual Property Rights⁸ and the Paris Convention.⁹ In so outlining, this paper emphasizes the need for governments and policy makers to understand the meaning, context, and scope of "use," particularly in the context of trademark law, prior to drafting legislation that purports to limit, place, displace, or create certain statutory obligations on manufacturers and retailers with respect to plain packaging.¹⁰ Part III analyzes the premise and validity, both from a legal and normative perspective, of plain packaging laws as purporting to fall within constitutional mandates and within the scope of international law and obligations outlined in Part II. Additionally, this portion of the paper identifies the rift between domestic, i.e., constitutional mandates, and international obligations that have impacted, and no doubt will continue to impact, the successful implementation of plain packaging legislation. Australia and the United States, alongside Canada and the European Union, have been active, particularly within the last decade, in seeking to introduce tobacco control measures and demonstrate this fissure nicely.

Despite their international obligations, governments still maintain a certain level of discretion, albeit as signatories to or members of international obligations or Agreements, such as those outlined in Part II, in their ability to "modify," "impede," or, to a degree, "create" certain "rights," obligations, or both, in legislation. However, such discretion is cabined by certain constitutional rights and requirements, as well as core objectives of a particular legal regime. In relation to the latter, the trademark regime encompasses a property-right dichotomy between private-rights, i.e., the registrant is the "owner" of a trademark, and public-rights, i.e., the trademark belongs to a broader class of persons or society in general. If normative factors in an intellectual property context are viewed widely, then it would be easier for governments to present a successful case, at least in part, for plain packaging legislation. Finally, Part IV outlines some recommendations for policy change, both on an international and domestic level, that seek to put to rest discrepancies forming the basis of a challenge to plain packaging legislation.

⁸ Agreement on Trade-Related Aspects of Intellectual Property Rights, Apr. 15, 1994, Annex 1C, 1869 U.N.T.S. 299 [hereinafter TRIPS].

⁹ Convention for the Protection of Industrial Property, Mar. 20, 1883, 1 Bevans 80 (revised by Paris Convention for the Protection of Industrial Property, July 14, 1967, 21 U.S.T. 1583) [hereinafter Paris Convention].

¹⁰ See, e.g., Graeme B. Dinwoodie & Mark D. Janis, *Confusion Over Use: Contextualism in Trademark Law*, 92 IOWA L. REV. 1597, 1627 n.136 (2007) (noting that the interpretation of "use" is important to understand the meaning of "acquisition" of a trademark by a government).

The findings in this paper have significant bearing for policy makers from an international and domestic perspective, for marketing strategies, and for future legislative reform.

I. PLAIN PACKAGING IN A NORMATIVE CONTEXT

“Plain packaging,” also referred to as “generic packaging,” has been described as a novel tobacco control policy tool.¹¹ It requires the detachment or exclusion of trademarks, graphics, and logos from tobacco packaging, e.g., cigarette packs, other than the brand name itself, which is displayed with simple unadorned text, i.e., standard font size, color, and location on the package.¹²

The packaging does not contain color, other than a dull olive-brown, and includes only the content and consumer information, such as toxic constituents and health warnings, required by law.¹³ In essence, plain packaging aims at standardizing the appearance of all cigarette boxes in order to decrease their appeal, especially to adolescents, thus reducing the prevalence and up-take of smoking.¹⁴

¹¹ See generally Becky Freeman et al., *The Case for the Plain Packaging of Tobacco Products* TOBACCO CONTROL 17 (2007), available at <http://escholarship.org/uc/item/4rz0m70k> (“Plain packaging legislation remains an important but curiously under-explored part of comprehensive tobacco control legislation designed to eliminate all forms of tobacco advertising and promotion.”).

¹² MELODIE TILSON, NON-SMOKERS’ RIGHTS ASS’N/SMOKING & HEALTH ACTION FOUND., PLAIN PACKAGING OF TOBACCO PRODUCTS 119 (2008).

¹³ *TPPA 2011*, supra note 3, s 19. Note that there are various facets of the term “tobacco control,” which incorporates regulation of marketing, display, warnings, excise requirements, and more recently, “plain packaging.” There are several examples in Australia. See *Tobacco Advertising Prohibition Act 1992* (Cth) s 15 (Austl.) (banning almost all forms of tobacco advertising and promotion); *Trade Practices (Consumer Product Information Standards) (Tobacco) Regulations 2004* (Cth) pt 2.2, div 2.2.1 (Austl.) (outlining requirements for graphic health warnings to appear on packaging); *Trade Practices (Consumer Product Safety Standard) (Reduced Fire Risk Cigarettes) Regulations 2008* (Cth) regs 10, 14 (Austl.) (prescribing performance standards and labeling of cigarettes); *Excise Act 1901, Excise Regulations 1925* (Cth) reg 15 (Austl.) (outlining requirements for payment of excise on tobacco products); *Excise Tariff Act 1921* (Cth) (Austl.); *Customs Act 1901* (Cth) (Austl.); *Customs Regulations 1926* (Cth) regs 106, 126F (Austl.); *Customs Tariff Act 1995* (Cth) s 3 (Austl.) (regulating aspects of importing tobacco).

These types of regulations can also be found in the United States. See, e.g., Family Smoking Prevention and Tobacco Control Act, Pub. L. No. 111-31, 123 Stat. 1776, 1781 (2009) (codified as amended in scattered sections of 5 U.S.C., 15 U.S.C., and 21 U.S.C.); 15 U.S.C. § 1333 (2012) [hereinafter FSPTCA] (regulating tobacco labeling). A number of cases adjudicating tobacco control exist. See *Lorillard Tobacco Co. v. Reilly*, 533 U.S. 525, 532 (2001); *United States v. Philip Morris USA Inc.*, 566 F.3d 1095, 1105–06 (D.C. Cir. 2009) (per curiam); *Foothills Brewing Concern, Inc. v. City of Greenville*, 660 S.E.2d 264, 266 (S.C. 2008); 23–34 94th St. Grocery Corp. v. N.Y.C. Bd. of Health, 685 F.3d 174, 185–86 (2d Cir. 2012) (holding that city board of health regulation requiring tobacco retailers to display warning signs adjacent to cigarette displays was preempted); *Disc. Tobacco City & Lottery, Inc. v. United States*, 674 F.3d 509, 543–44 (6th Cir. 2012). A number of cases outside the United States also exist. See, e.g., Case E-16/10, *Philip Morris Nor. AS v. Norway*, 2011 E.F.T.A. 3 (challenging a Norwegian Display ban on tobacco products under the European Economic Agreement).

¹⁴ See generally Explanatory Memorandum, *(Tobacco Plain Packaging) Bill 2011* (Cth) 1 (Austl.), available at <http://www.comlaw.gov.au/Details/C2011B00128/Explanatory%20>

While there is merit in the advancement of health policy and legal reform with respect to tobacco products,¹⁵ there exists an array of legal issues surrounding the legal validity of plain packaging, including whether:

- Plain packaging legislation violates certain constitutional rights in Australia and the United States; and
- Governments should be able to *acquire* certain intellectual property rights.

Prior to the legal analysis of “use” of proprietary rights, something this article suggests is relatively settled—particularly as outlined in Articles 6, 8, and 20 of the TRIPS Agreement¹⁶ and the validity of constitutional rights arguments raised by tobacco companies regarding a “disposition,” “taking,” or “acquisition” of property rights—there are some broader normative matters to consider, such as:

- That justification for trademark protection now incorporates public interest regulation, but the degree to which this is invoked may vary;¹⁷ and
- Whether these factors have diminished or could, from a property-rights analysis, diminish trademark protection generally.

Viewed together, the considerations set forth above firmly engrain the validity of plain packaging legislation in the jurisdictions under consideration in this article, Australia and the United States, and could extend to other jurisdictions, such as Canada and the European Union. Going forward, therefore, there may be little scope for tobacco companies to successfully challenge such legislation, whether that be based on TRIPS, obligations under the World Trade Organization (“WTO”), or constitutional considerations.

To understand the breadth of legal issues at both an international level, i.e., WTO and the TRIPS, and domestic level, i.e., acquisition and use of proprietary rights in the context of intellectual property law, constitutional law, consumer protection law, and health law level, the importance of central, normative themes concerning marketing, property rights, and economics rights analysis must first be noted.

Memorandum/Text [hereinafter *TPPB* Memorandum] (explaining that the Plain Packaging Act aims to reduce the attractiveness and appeal of tobacco products to consumers and young people).

¹⁵ See *infra* Parts III.A & III.C.

¹⁶ See *infra* Parts III.A & III.B.

¹⁷ Lawrence O. Gostin, *A Theory and Definition of Public Health Law*, in PUBLIC HEALTH LAW: POWER, DUTY, RESTRAINT 6 (2d ed. 2008). “Public health law is the study of the legal powers and duties of the state . . . to ensure the conditions for people to be healthy . . . and of the limitations on the power of the state to constrain the autonomy, . . . proprietary, and other legally protected interests of individuals.” *Id.* at 4.

A. Normative Themes in the Trademark Regime

It may be a common belief that tobacco companies, or trademark registrants generally, have an exclusive entitlement to such proprietary rights. This is not entirely true, depending, of course, on the way this statement is viewed.

Broadly speaking, a business enterprise has two basic functions: marketing and innovation. These functions guide the underlying desire of an enterprise to make a fiscal profit in the process of supplying to customers. Intellectual property plays a role in both of these functions, and trademarks specifically are of primary importance in the marketing process. Every product in the market faces competing products at various marginal rates of substitution. Most economic markets are based at least on an implicit right to differentiate a product and to promote a brand name. If this were not the case, then all markets would become perfectly competitive, and all companies and products would become standardized. With such standardization, consumers would not have the opportunity to make product or market price choices.¹⁸ From an economic perspective,¹⁹ there would be reduced incentive for innovation, enhancement, research, and development.

There is no doubt that meeting or exceeding customers' expectations is a challenging task, especially when tastes and preferences continuously evolve in a competitive marketplace, with many similar products catering to the same needs. Only businesses rising to these challenges can expect to develop and retain a loyal clientele. Enterprises achieve this loyalty mostly through a distinctive trade name and one or more trademarks.²⁰ Strong brands and successful branding, for example, through distinct imagery, identification, and reputation, may be validated through contributions to market share, sales, enhanced goodwill, profit margins, loyalty, and market awareness.²¹

The tobacco industry is deeply entrenched; individual enterprises have invested heavily in product differentiation, primarily through marketing pursuits. In recent times, the wrath of governments' regulatory discretion in the context of tobacco has had some far-reaching consequences for tobacco enterprises. For example, many jurisdictions now require that health warnings and safety and information standards be affixed to tobacco products.²² For each of these jurisdictions, the goal is to improve

¹⁸ See generally Robert W. Hahn, *Market Power and Transferable Property Rights*, 99 Q.J. ECON. 753, 753 (1984) (analyzing the issue of market power in the context of markets for transferable property rights). See also Harold Demsetz, *The Exchange and Enforcement of Property Rights* 7 J.L. & ECON. 11, 14 (1964) (analyzing the problem of efficiency within the framework of smooth running markets and governments).

¹⁹ See *infra* notes **Error! Bookmark not defined.** & **Error! Bookmark not defined.** (defining "economic rights" and "economic perspectives").

²⁰ *The Role of Trademarks in Marketing*, WIPO MAG., Feb. 2002, at 10 [hereinafter WIPO MAG. 2002]. Broadly speaking, "distinctiveness" means that the sign is capable of distinguishing the goods or services of one undertaking from the goods or services of another undertaking. See TRIPS, *supra* note 8, art. 15 (identifying "distinctiveness" as a requirement for trademark protection).

²¹ See Tanmay Chattopadhyay et al., *Approaches to Measurement of Brand Equity*, OXFORD BUS. & ECON. CONF. PROGRAM 2-3 (June 22-24, 2008) (U.K.).

²² See, e.g., CAL. HEALTH AND SAFETY CODE § 104550 (West 2001); WYO. STAT. ANN. § 35-7-1502 (West 1977); *Federal Regulation of Tobacco: A Summary*, TOBACCO CONT. LEGAL CONSORTIUM, July 2009, at 5.

public health by discouraging people from taking up smoking, encouraging people to give up smoking, discouraging people from relapsing if they have given up smoking, and reducing people's exposure to smoke from tobacco products.²³

When it comes to "plain packaging," government and policy motivations are likewise clear; this extreme measure is justified by appealing to consumer protection and the advancement of health.²⁴ It is not necessarily a question of impacting excise or taxes, because the fiscal implications remain unchanged; instead, it may be weighted in favor of health policy and concerns.²⁵ When a State adopts a law or regulation that diminishes a trademark's value, the trademark holder bears the burden to show that the regulation has the effect of causing consumers to switch to competing goods or services.²⁶

This burden corresponds to one of the purposes of trademark law, allowing firms to distinguish their products from other firms' products.²⁷ Unlike copyright and patent law, which are justified in substantial part by the perceived value of securing reasonable and limited incentives for creators and inventors,²⁸ trademark law offers

²³ See Explanatory Memorandum, *Competition and Consumer Act 2010* (Cth) 4 (Austl.), available at <http://www.comlaw.gov.au/Details/F2011L02766/Explanatory%20Statement/Text> [hereinafter *CCA Memorandum*]; *TPPB Memorandum*, *supra* note 14. While there are a number of methods that have been introduced to control tobacco advertising, this article focuses on the legal responses to plain packaging of tobacco products.

²⁴ See generally Oliver R. Mitchell, *Unfair Competition*, 10 HARV. L. REV. 275, 275 (1896). Whilst beyond the scope of this article, legislative and policy measures can be seen to have shifted the ownership of health concerns to the private sphere of tobacco companies. See generally Walter J. Jones & Gerard A. Silvestri, *The Master Settlement Agreement and Its Impact on Tobacco Use 10 Years Later*, 137 CHEST 692, 692 (2010) (discussing the Master Settlement Agreement in 1998 in which mass litigation was dropped on the proviso that tobacco companies agreed to pay billions of dollars over a 25 year period towards the costs of healthcare for smoking related diseases).

²⁵ Thus we can note several normative aspects in health policy developments in this example, namely that there was a growing societal recognition of harm, that action against tobacco companies was incrementally acceptable, that cigarette packets and the contents of the messages on them were seen as important by the tobacco companies and, perhaps most significantly, that when the arguments were shifted from the companies versus individuals to the companies versus society in the form of the government, the legal argument was won. See Valentina S. Vadi, *Global Health Governance at a Crossroads: Trademark Protection v. Tobacco Control in International Investment Law*, 48 STAN. J. INT'L L. 93, 94–95 (2012); *CCA Memorandum*, *supra* note 23; *TPPB Memorandum*, *supra* note 14.

²⁶ Sam Halabi, *International Trademark Protection and Global Public Health: A Just-Compensation Regime for Expropriations and Regulatory Takings*, 61 CATH. U. L. REV. 325, 369 (2012) (showing that trademark regulation affects consumption by consumers). See generally Itamar Simonson, *Trademark Infringement from the Buyer Perspective: Conceptual Analysis and Measurement Implications*, 13 J. PUB. POL'Y & MARKETING 181, 181 (1994) (describing the key test of trademark infringement as the likelihood of confusion between trademarks); David S. Bloch & James G. McEwen, "Like Toddlers in Big Surf:" *Can the Government Control the Effects of Federal Trademark Liability?*, 33 PUB. CONT. L.J. 209, 227 (2003) (noting that in a trademark-infringement claim, an injunction is the only remedy that will cease consumer confusion arising from the infringement).

²⁷ Bloch & McEwen, *supra* note 26, at 227.

²⁸ U.S. CONST. art. 1 § 8 cl. 8. In the United States, at least, patent and copyright rights derive from the "Progress Clause" of the Constitution, and exist to create incentives for "promot[ing] Progress." *Id.* Trademark law, on the other hand, falls under the "Commerce Clause" of the Constitution and is really about protecting consumers from confusion and harm (such as believing a

incentives for businesses to invest in the quality and uniqueness of their goods and to denote quality through combinations of words, colors, signs, shapes, and other distinguishing marks.²⁹ Like other intellectual property rights, however, trademarks embody an intrinsic dichotomy between private and public interests. In the case of trademarks, the purported social goal, or “public interest,” is the reduction of consumers’ information costs.³⁰ These interests often go hand in hand, i.e. high quality products build the producer’s reputation and reduce the difficulty of consumers’ choices. But in some contexts, these goals diverge. In fact, the object of trademark protection presents a dichotomy between property rights and other external values such as free speech, competition, and public health.³¹

Trademark law protects distinguishing symbols, images, and logos because consumers benefit from having an inexpensive way to inform themselves about the source of goods and services.³² When manufacturers successfully associate their products with desirable qualities and prices in the minds of consumers, they reduce

product is from one reputable source, when it’s really from someone else). See Peter C. Christensen, *The “Use in Commerce” Requirement for Trademark Registration After Larry Harmon Pictures*, 6 IDEA 327, 327–28 (1992). For historical accounts of the trademark regime reaching further back in time, see Sidney A. Diamond, *The Historical Development of Trademarks*, 65 TRADEMARK REP. 265, 266 (1975); Daniel M. McClure, *Trademarks and Unfair Competition: A Critical History of Legal Thought*, 69 TRADEMARK REP. 305, 309 (1979); Benjamin G. Paster, *Trademarks—Their Early History*, 59 TRADEMARK REP. 551, 551 (1969); Edward S. Rogers, *Some Historical Matter Concerning Trade-Marks*, 9 MICH. L. REV. 29, 29 (1911). In Australia and the European Union, by comparison, there is less emphasis on consumer confusion and more emphasis on protecting the value of brands [in an economic sense] if they so warrant it. WIPO MAG. 2002, *supra* note 20, at 10 (“[T]he ultimate success of a brand is also judged in terms of the total value derived by the customer from the product to which it relates.”).

²⁹ See *G. & C. Merriam Co. v. Saalfeld*, 198 F. 369, 372 (6th Cir. 1912) (“The entire substantive law of trade-marks . . . is a branch of the broader law of unfair competition. The ultimate offense always is that defendant has passed off his goods as and for those of the complainant.”); *Moseley v. V Secret Catalogue, Inc.*, 537 U.S. 418, 428 (2003) (“Traditional trademark infringement law is part of the broader law of unfair competition . . . that has its sources in English common law.”). See also *Hanover Star Milling Co. v. Metcalf*, 240 U.S. 403, 412–13 (1916), which states,

[t]he essence of the wrong consists in the sale of the goods of one manufacturer or vendor for those of another. . . . This essential element is the same in trademark cases as in cases of unfair competition unaccompanied with trademark infringement. In fact, the common law of trademarks is but a part of the broader law of unfair competition.

³⁰ Mark P. McKenna, *The Normative Foundations of Trademark Law*, 82 NOTRE DAME L. REV. 1839, 1844 (2007) (“[T]he goal of trademark law is—and always has been—to improve the quality of information in the marketplace and thereby reduce consumer search costs.”). Note that some scholars may use consumer information and consumer protection interchangeably, which is erroneous.

³¹ See generally Thorsten Klein, *The Uncertain Balance Between Parody and Trademark Rights*, 12 J. CONTEMP. LEGAL ISSUES 356, 356–57 (2001) (analyzing U.S. courts’ view of parody in trademark cases, including its protection under the First Amendment); César Ramirez-Montes, *A Re-Examination of the Original Foundations of Anglo-American Trademark Law*, 14 MARQ. INTELL. PROP. L. REV. 91, 151–64 (2010) (discussing the historical conception of trademark law as a balancing of public and private interests).

³² See I.P.L. Png & David Reitman, *Why Are Some Products Branded and Others Not?*, 38 J.L. & ECON. 207, 209–11 (1995) (presenting empirical evidence in support of search cost rationale).

consumers' costs of deciding which types or brands of products to purchase in the future.³³ The basic motivation of trademark law is to protect an entity's mutually beneficial relationship with the consumer by prohibiting one economic competitor's encroachment on investments in product distinction made by another.³⁴ As one scholar said:

[An] authority would be able to rebut a trademark holder's initial showing by proving the regulation's informational benefit to consumers. These burdens correspond to both the origin of trademark as a state-granted privilege and the state's power to inform and protect consumers. A trademark holder may, however, be able to show that a proposed regulation should be prohibited because it is unjustifiably discriminatory, and the state may be able to show that for some product categories, such as digestible goods, it is under no obligation to pay compensation. The close relationship between the latter form of goods and human health entitles the state to partially or wholly prohibit the use of a trademark.

[Certain] normative implications surround the regulation of trademarks. Some scholars and advocates argue that the state should enjoy wide flexibility to regulate, restrict, or prohibit trademarks when their underlying or suggested messages may mislead consumers, especially with regard to product risks. These arguments arise from the state's essential role of ensuring fundamental constitutional or human rights in health, safety, and information. In contrast, trademark holders, which invest vast sums of money to create an independent value in the minds of consumers, argue that their entire investment deserves protection for the benefit of both firms and consumers.³⁵

³³ See, e.g., FRANCIS H. UPTON, A TREATISE ON THE LAW OF TRADE MARKS 16 (W.C. Little 1860). Foreshadowing contemporary economic justifications of trademark protection, Upton noted that a trademark is:

the means, and in many instances, the only means, by which [manufacturers] are enabled to inspire and retain public confidence in the quality and integrity of the things made and sold—and thereby secure for them a permanent and reliable demand—which is the life of manufacturing and mercantile operations. And it is also . . . the only means, by which the public is protected against the frauds and impositions of the crafty and designing.

Id.

³⁴ See GRAEME B. DINWOODIE, TRADEMARK LAW AND SOCIAL NORMS 7 (2007), available at <http://www.oiprc.ox.ac.uk/papers/EJWP0207.pdf>.

³⁵ Halabi, *supra* note 26, at 333–34. See generally Stacey L. Dogan & Mark A. Lemley, *Trademarks and Consumer Search Costs on the Internet*, 41 HOUS. L. REV. 777, 783 (describing concerns about the effect of particular rights on consumers and competitors, and on the competitiveness of the marketplace as a whole, as the “core values of trademark law”). See also William M. Landes & Richard A. Posner, *Trademark Law: An Economic Perspective*, 30 J.L. & ECON. 265, 265–66 (1987) (“Our overall conclusion is that trademark law . . . can best be explained on the hypothesis that the law is trying to promote economic efficiency.”). Posner, then, might view

This is not to say that trademark law should solely be used to protect consumers; this was not its traditional intention.³⁶ “Instead, trademark law, like all unfair competition law, [seeks] to protect producers from illegitimate diversions of their trade by competitors.”³⁷ Revisiting trademark principles in the context of plain packaging is important because this new regulatory technique calls into question much of the dominant account of modern trademark law in a manner contemplated by the framers of the TRIPS Agreement.³⁸ “Specifically, reading traditional trademark decisions in their proper historical and philosophical context shows that trademark law was never focused primarily on consumer interests.”³⁹ In recent times in particular, the position taken by Australia—not to mention the WTO—with respect to tobacco plain packaging laws, appears to seek an alignment between the recognition of property rights in trademarks and traditional trademark law in order to improve the quality of information in the marketplace.⁴⁰

those results as “efficient.” One might doubt the significance of that conclusion, however, since modern law and economics scholars tend to operate under an artificially constrained definition of efficiency. Cf. Mario J. Rizzo, *The Mirage of Efficiency*, 8 Hofstra L. Rev. 641, 641–43 (1980) (discussing the folly of conflating normative and positive economic accounts of the law, and criticizing Posner, among others, for restricting the notion of efficiency in their positive analysis). Moreover, under a broader definition, it is not clear that efficiency should be the goal of trademark law. Any efficiency gained through reduction of search costs would relate only to a partial-efficiency. Although, as Rizzo has argued, we cannot determine “with any reasonable degree of accuracy when an overall efficiency improvement has occurred.” *Id.* at 642.

³⁶ McKenna, *supra* note 30, at 1844.

³⁷ *Id.* at 1841; *accord* Mitchell, *supra* note 24, at 275.

³⁸ World Trade Organization, Declaration on the TRIPS Agreement and Public Health of 14 November 2001, WT/MIN(01)/DEC/2 (2001) at ¶¶ 4–5 [hereinafter TRIPS Declaration]. It states:

We agree that the TRIPS Agreement does not and should not prevent Members from taking measures to protect public health. Accordingly, while reiterating our commitment to the TRIPS Agreement, we affirm that the Agreement can and should be interpreted and implemented in a manner supportive of WTO Members’ right to protect public health In this connection, we reaffirm the right of WTO Members to use, to the full, the provisions in the TRIPS Agreement, which provide flexibility for this purpose 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.

Id.; see also WTO Agreement on Technical Barriers to Trade, Jan. 1, 1995, ¶ 6 [hereinafter TBT Agreement]. The agreement states that,

[under WTO rules,] no country should be prevented from taking measures . . . for the protection of human, animal or plant life or health, or . . . of the environment . . . at the levels it considers appropriate, subject to the requirement that they 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, and are otherwise in accordance with the provisions of [the WTO] Agreement.

Id.

³⁹ McKenna, *supra* note 30, at 1841.

⁴⁰ See CCA Memorandum, *supra* note 23.

This article snips the normative strength of criticisms of modern trademark law,⁴¹ which focus on the law's deviation from its supposed foundational, and primary, purpose of improving the quality of information in the marketplace.⁴² This is particularly apparent with respect to legislation and statutory provisions discussed in this article. It should be noted that while modern trademark law deserves sustained scrutiny, any criticisms leveled against it should fairly convene modern policy goals. Further, such criticisms should not draw their normative force by contrasting modern doctrines with "traditional" principles that did not actually exist.

After introducing the genesis and rationale of plain packaging, the focus of this article will shift to the legal status of this tobacco control tool under the international system for trademark protection as enshrined in the TRIPS Agreement and the Paris Convention, as well as under domestic laws.

II. INTERNATIONAL SPHERE

A number of politicians and commentators seek to justify the expulsion of plain packaging legislation based on a number of Articles in the Paris Convention and TRIPS Agreement, including Articles 2, 6, 7, 8, 15, 17, and 20.⁴³ As will be explained, however, these concerns should be put to rest.

In one recent report, Professor Daniel Gervais of Vanderbilt University Law School states that regulatory measures mandating plain packaging of tobacco products, i.e., cigarettes, could be contrary to the TRIPS Agreement.⁴⁴ This report

⁴¹ See McKenna, *supra* note 30, at 1843 (observing that modern trademark law "sees a trademark as a repository for value and meaning, which may be deployed across a wide range of products and services"); Mark A. Lemley, *Romantic Authorship and the Rhetoric of Property*, 75 TEX. L. REV. 873, 900 (1997) (reviewing JAMES BOYLE, SHAMANS, SOFTWARE, AND SPLEENS: LAW AND THE CONSTRUCTION OF THE INFORMATION SOCIETY (1996), and arguing that trademark owners "are well on their way to owning the exclusive right to pun"); Glynn S. Lunney, Jr., *Trademark Monopolies*, 48 EMORY L.J. 367, 371–72 (1999) (describing the "radical and ongoing expansion of trademark protection" as a shift from "deception-based trademark," which focused on a trademark's value merely as a device for conveying otherwise indiscernible information about a product, to "property-based trademark," which regards a trademark as a valuable product in itself); Margaret J. Radin & R. Polk Wagner, *The Myth of Private Ordering: Rediscovering Legal Realism in Cyberspace*, 73 CHI.-KENT L. REV. 1295, 1304–05 n.29 (1998) ("Modern trademark law is moving . . . towards a . . . property rights regime."). Professor Lemley says, on this basis, that trademark law reflects "the death of common sense." Mark A. Lemley, *The Modern Lanham Act and the Death of Common Sense*, 108 YALE L.J. 1687, 1687 (1999).

⁴² McKenna, *supra* note 30, at 1840. This is an important premise playing down the property rights that may be argued to vest in the trademark regime. See WILLIAM M. LANDES & RICHARD A. POSNER, *THE ECONOMIC STRUCTURE OF INTELLECTUAL PROPERTY LAW* 166–68 (2003).

⁴³ TRIPS, *supra* note 8, arts. 2, 6–8, 15, 17, 20.

⁴⁴ DANIEL GERVAIS, JAPAN TOBACCO INT'L, ANALYSIS OF THE COMPATIBILITY OF CERTAIN TOBACCO PRODUCT PACKAGING RULES WITH THE TRIPS AGREEMENT AND THE PARIS CONVENTION 19 (2010) [hereinafter GERVAIS REPORT]. In particular, Gervais relies on establishing other breaches: specifically, Articles 2.1, 15.4 and 17 of the TRIPS Agreement. *Id.* at 8–11. Gervais repeatedly emphasizes that he is not addressing normative questions or any specific government measure, although he does mention the Australian and certain other proposals. *Id.* at 5.; see also BRITISH AMERICAN TOBACCO AUSTRALIA, SUBMISSION ON THE TOBACCO PLAIN PACKAGING BILL 8–9 (2011).

concludes that “[t]o the extent that the WTO Member [such as Australia] cannot satisfy the burden of showing that . . . plain packaging . . . will achieve its legitimate public policy objectives, the measure can be expected to be found incompatible with TRIPS.”⁴⁵

In another report, Lalive expresses the opinion that plain packaging is “in clear breach . . . of WTO members’ international obligation to protect valid intellectual property rights.”⁴⁶ These views are, however, not entirely accurate.

Because recent scholarship has comprehensively analyzed these reports, this paper does not seek to dissect them into their various constituents; instead it aims to highlight two key issues that may challenge the validity of plain packaging legislation:

- Whether the Paris Convention or the TRIPS Agreement confers on trademark owners a right to *use* their trademarks; and
- What the meaning and scope is of the phrase “encumbered by special requirements” as it appears in Article 20 of TRIPS.

This paper does not, however, discuss the “in the course of trade” language of Article 20 because tobacco sales and provision may fall outside of the course of trade.⁴⁷ Advocates seeking to utilize this provision, either alone or in combination, should reconsider that thought.

A. Trademark “Use”

As a starting point, members of the WTO and parties to the Paris Convention are obliged, pursuant to TRIPS Article 2.1, to comply with the Paris Convention as a matter of international law with respect to other Paris Convention parties.⁴⁸ Such parties and members are also obliged to comply with the Paris Convention provisions incorporated into the TRIPS Agreement. Article 2.1 of the TRIPS Agreement provides that “[i]n respect of Parts II, III and IV of [the TRIPS Agreement], [WTO] Members shall comply with Articles 1 through 12, and Article 19, of the Paris Convention (1967).”⁴⁹

TRIPS Article 2.2 continues that “[n]othing in Parts I to IV of [the TRIPS Agreement] shall derogate from existing obligations that Members may have to each other under the Paris Convention” or certain other treaties.⁵⁰ It should be noted that neither the Paris Convention nor the TRIPS Agreement directly confers on

Both Gervais and Lalive argue that Article 20 is breached, which may be somewhat more arguable, but remains an erroneous path. See LALIVE REPORT, *infra* note 46, at 2.

⁴⁵ GERVAIS REPORT, *supra* note 44, at 4.

⁴⁶ LALIVE, WHY PLAIN PACKAGING IS IN VIOLATION OF WTO MEMBERS’ INTERNATIONAL OBLIGATIONS UNDER TRIPS AND THE PARIS CONVENTION 2 (2009) [hereinafter LALIVE REPORT].

⁴⁷ See *infra* Parts III.B & III.C.

⁴⁸ TRIPS, *supra* note 8, art. 2.1.

⁴⁹ *Id.* art. 2.1.

⁵⁰ *Id.* art. 2.2.

trademark owners a right to use their trademarks.⁵¹ Instead, the right may be described as “implied,” particularly due to (1) the absence of an express right to use a trademark in the Paris Convention; (2) the presence of strict obligations to register some trademarks in some circumstances; and (3) the alleged futility of requiring registration without also requiring use.⁵² The obligation flows from Article 6 *quinquies* (A), which reads:

(1) 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.⁵³

Article 6 *quinquies* (B) of the Paris Convention, a provision which is incorporated into the TRIPS Agreement pursuant to TRIPS Article 2.1, provides:

Trademarks covered by this Article may be neither denied registration nor invalidated except in the following cases:

(i) when they are of such a nature as to infringe rights acquired by third parties in the country where protection is claimed;

(ii) when they are devoid of any distinctive character, or consist exclusively of signs or indications which may serve, in trade, to designate the kind, quality, quantity, intended purpose, value, place of origin, of the goods, or the time of production, or have become customary in the current language or in the bona fide and established practices of the trade of the country where protection is claimed;

(iii) when they are contrary to morality or public order and, in particular, of such a nature as to deceive the public.⁵⁴

Generally speaking, a tobacco trademark would not fall under the first or second paragraphs of Article 6 *quinquies* (B).⁵⁵ The third paragraph could be utilized to restrict certain deceptive trademarks, including use of the words “light” or “mild” in connection with cigarettes in a manner that is likely to deceive the consumer into believing that those cigarettes are healthier than any others.⁵⁶

⁵¹ LALIVE REPORT, *supra* note 46, at 7.

⁵² See, e.g., TRIPS, *supra* note 8 art. 16 (conferring on mark holders a right to prevent third parties from using a registered trademark, but not a right to use the trademark). The exceptions to the right conferred by Article 16 are irrelevant, and need not be discussed in this paper.

⁵³ Paris Convention, *supra* note 9, art. 6 *quinquies* (A).

⁵⁴ *Id.* art. 6 *quinquies* (B).

⁵⁵ See *id.*; LALIVE REPORT, *supra* note 46, at 5.

⁵⁶ See GERVAIS REPORT, *supra* note 44, at 20 (“This Article . . . concerns the mark, not the product . . . so [it] could not provide a justification for restricting tobacco trademarks generally.”) (emphasis in original).

Nor is Article 6 *quinquies* (B) directed towards the *use* of trademarks,⁵⁷ but rather towards their registration and validity.⁵⁸ This is the right saved by Article 24.5, which provides that certain measures “shall not prejudice . . . the right to use a trademark.”⁵⁹ Importantly, plain packaging does not prevent the registration of new trademarks or require the invalidation of any registered trademarks.⁶⁰ So, while Article 6 *quinquies* (B) may not provide a justification for plain packaging, it does not preclude plain packaging.⁶¹

At the same time, there is a noteworthy conflict between Article 6(1), which provides that the conditions for filing and registration of trademarks are a matter for the domestic legislation of each country of the Union,⁶² and Article 6 *quinquies*, which requires acceptance for filing and protection in some circumstances.⁶³ This conflict between the provisions in the Paris Convention has been the subject of formal adjudication at the WTO. Notably, “the Paris Convention regime, which is directed exclusively at the issue of *registration* and not use, is [quite] liberal in terms of the grounds upon which registration may be denied.”⁶⁴ Viewed another way, the registration requirements of the Paris Convention are relatively loose.⁶⁵

⁵⁷ 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 (Edward Elgar 2012) (manuscript at 10), available at http://papers.ssrn.com/sol3/papers.cfm?abstract_id=2009115. He states that:

While numerous countries have a right to use a trademark incorporated into their domestic legislation, the difference between that right and a right implied into an international treaty is that the former can be varied, modified, qualified and eliminated at the legislative will of the government. For example, the Australian legislation states that a trademark owner has the right to use their trademark, but nobody seriously quibbles with the proposition that legislation banning the use of tobacco advertising and, therefore, the use of tobacco trademarks in such advertising is a permitted derogation from that right. . . . No such approach can be taken if Australia has an international obligation under the Paris Convention to provide a right of use.

Id. at 7. Davison also agrees with Gervais that the exception for Article 17 is inapplicable. *Id.* at 10.

⁵⁸ *Id.* Invalidation refers to the cancellation of a trademark following registration. Compare LALIVE REPORT, *supra* note 46, at 5 (maintaining that plain packaging entails a violation of Article 6 *quinquies* (B)), with GERVAIS REPORT, *supra* note 44, at 22 (explaining that such a violation is likely to arise “if plain packaging measures were to lead to a denial of registration of trademarks because they are associated with tobacco products”).

⁵⁹ TRIPS, *supra* note 8, art. 24.5.

⁶⁰ TPPA 2011, *supra* note 3, s 29. Indeed, the Australian legislation explicitly prevents the Registrar of Trade Marks from refusing to register or revoking the registration of a trademark on the grounds that plain packaging requirements prevent the mark from being used or from distinguishing the relevant product. *Id.* ss 28(2)–(3).

⁶¹ Compare LALIVE REPORT, *supra* note 46, at 7 (contending that both registration and invalidation “both *imply* use”) (emphasis added), with GERVAIS REPORT, *supra* note 44, at 21 (arguing that “the *spirit* of the Paris Convention is to permit use”) (emphasis added).

⁶² Paris Convention, *supra* note 9, art. 6.

⁶³ *Id.* art. 6 *quinquies*.

⁶⁴ Davison, *supra* note 57, at 6 (emphasis added).

⁶⁵ *See id.*

“Consequently, the oblique but constant references to either a right to use *that flows from* registration or a right to use *in order to obtain* registration lose much of their force because the obligation to register” may be quite limited.⁶⁶ In turn, this could mean that establishing a breach of the Convention where use is decoupled from registration is relatively difficult to determine.⁶⁷ Further, one might argue that because “there is considerable scope under the Paris Convention to refuse registration, there is necessarily an even greater scope to refuse usage.”⁶⁸ As noted by commentators, it is clear that the “spirit” of the Paris Convention varies between Member Nations.⁶⁹ The grounds upon which these countries may refuse registration, let alone *prevent the use* of trademarks whether registered or not, vary accordingly.⁷⁰

The boundaries of exceptions to the right of use are thus unclear.⁷¹ In particular, is there merely a right to *some* use of the trademark in certain circumstances? If so, would plain packaging legislation satisfy this through authorizing the use of trademarks in a context other than retail? It is important to note that there are no express exceptions in the Paris Convention to a right to use a trademark, as Davison recognizes, probably because there is no need to create exceptions to a non-existent right.⁷² “There are some references to exceptions to the rights of trademark owners in Article 17 of the TRIPS Agreement and to justifiable limits on the use of trademarks in particular circumstances in Article 20[.]”⁷³ a full discussion of which is beyond the scope of this paper. “In any event, Article 17 is an exception to a right [conferred by Article 16] to prevent third parties from using one’s trade mark, not an exception to a right to use a trademark.”⁷⁴ Primarily, for that reason, it remains irrelevant.⁷⁵

While numerous countries have a right to use a trademark incorporated into their domestic legislation, the difference between that right and a right implied into

⁶⁶ *Id.* (emphasis added).

⁶⁷ *Id.*; see also, e.g., *TPPA 2011*, *supra* note 3, s 28 (indicating that this Bill does not prevent registration of any trademarks for tobacco products). Section 28 specifically provides that the absence of an intention on the part of a trademark applicant to use the trademark because of the legislation does not disqualify that applicant from obtaining registration. *Id.* This is considerably looser than has been claimed by tobacco advocates.

⁶⁸ See Davison, *supra* note 57, at 6. Member Nations specifically rejected a proposal to include a right to use a trademark at the 1956 Lisbon Conference and, to this day, there is still no express right to use in the Paris Convention. *Id.* at 4.

⁶⁹ *Id.* at 6.

⁷⁰ *Id.* (“[T]he ‘spirit’ of the Paris Convention is quite clearly to be very deferential . . . to the right of Member Nations to prevent the use of trademarks, whether registered or not.”); see also TRIPS, *supra* note 8, art. 15.4 (regarding the registration of trademarks and reproducing Article 7 of the Paris Convention).

⁷¹ See Davison, *supra* note 57, at 7.

⁷² *Id.* If there was an implied right to use a trademark, in the absent of express exceptions to this right, they too would either simply not exist or would have to be implied. *Id.* This would require that defining the right to use becomes the critical factor, including the full nature and scope of that right. *Id.*

⁷³ *Id.* at 8.

⁷⁴ Davison, *supra* note 57, at 8. (“However, impliedly importing provisions from the much later TRIPS Agreement is hardly a means of interpreting the Paris Convention.”).

⁷⁵ *Id.* at 8, 10 (“[S]ome tobacco advocates insist that plain packaging legislation does not come within those exceptions [which] tend[s] to obfuscate the point that it does not matter.”).

an international treaty is that the former can be varied, modified, qualified, and eliminated at the legislative will of the government. At the same time, the relationship between the right to use under Article 6 *quinquies* and the obligation to register a trademark in some circumstances, coupled with preventing the denial of registration under Article 7 because of the nature of the goods, creates its own difficulties.⁷⁶ While WTO members, for example, may ban certain products, the combination of these Articles may endorse the prohibition of banning certain products, e.g., alcohol, fireworks, tobacco.⁷⁷

If, however, the use of a trademark is prohibited, then what is the underlying rationale or purpose to register a trademark?⁷⁸ There exist at least two premises recognized by Davison.⁷⁹ First, manufacturers may still seek to preserve the registration of a trademark to facilitate their place in an international trade environment.⁸⁰ Second, where governments are indecisive about plain packaging legislation in the pursuit of policy objectives that prevent usage in a manner that is “contrary to . . . national interest[s],” Article 5 of the Paris Convention, dealing with cancellation for non-use, may be invoked by trademark registrants to preserve their rights.⁸¹ The aforementioned position, in particular, is complemented nicely by Article 19.1, which recognizes its focus on *preventing* cancellation of registration on the basis of non-use.⁸² Article 19.1 indicates that (i) the TRIPS Agreement itself does not require use to maintain registration, rather, this is left to domestic regulatory systems, and (ii) even if a Member conditions the maintenance of registration on use, the Member must accept government requirements as valid reasons justifying non-use.⁸³

The only significant argument under TRIPS with respect to plain packaging of cigarettes concerns a rather intricate provision, Article 20. One poignant aspect of this Article is its ability to interact with a number of other articles, including Article 8, which relates to public health considerations.⁸⁴ This is particularly helpful in

⁷⁶ GERVAIS REPORT, *supra* note 44, at 22. This is, of course, assuming that the Paris Convention confers an implied right to use a trademark. Also, it is unclear as to the true meaning of the “nature”—i.e., “use” of the trademark or some form of fiscal transaction, such as a sale of a good, to which the particular trademark attaches itself.

⁷⁷ Compare GERVAIS REPORT, *supra* note 44, at 21 (stating that WTO Members can ban certain products but not prohibit sale of legal products), with LALIVE REPORT, *supra* note 46, at 8 (explaining that plain packaging targets actual use of trademark where Article 7 targets the product of trademark).

⁷⁸ Davison, *supra* note 57, at 9 (“There is a legitimate question as to why there is any point in registering trademarks if their use is prohibited.”).

⁷⁹ *Id.*

⁸⁰ *Id.*

⁸¹ *Id.*

⁸² TRIPS, *supra* note 8, art. 19.1.

⁸³ *Id.*

⁸⁴ TRIPS, *supra* note 8, art. 8. Note that the Paris Convention is silent about public health considerations. Notwithstanding the existence of Article 8, the application of the TRIPS Agreement proved to be problematic with regard to public health measures before the adoption of the Doha Declaration. See, e.g., Frederick M. Abbott, *The Doha Declaration on the TRIPS Agreement and Public Health: Lighting a Dark Corner at the WTO*, 5 J. INT'L ECON. L. 469, 480 (2002) (highlighting that “[d]eveloping country concerns with the impact of the TRIPS Agreement on access to medicines evolved over a period of years, and these concerns were expressed in many fora”).

elucidating the interplay between private-rights and public-rights previously raised.⁸⁵ An argument may be made, in this respect, that such interactions support wide discretionary powers of governments to introduce plain packing legislation, as long as health policy and constitutional mandates are permitting.⁸⁶

Viewed in isolation, however, it would appear that restrictions on the manner in which certain trademarks, i.e., word marks,⁸⁷ can appear on tobacco packaging would fall within the meaning of Article 20, particularly the phrase “encumb[rance] by special requirements.”⁸⁸ Notably, while domestic legislation governing plain packaging would permit word trademarks to be used, the *manner*, as noted by Davison, in which they may be used could amount to the creation of an “encumbrance,” which would constitute an implied right to use a trademark.⁸⁹ The implication of a right to use a trademark under Article 20 necessarily flows from defining an encumbrance as including a total prohibition on use.⁹⁰ If a total prohibition on use of trademark is an encumbrance within the meaning of Article 20, then the prohibition of the sale of goods for which trademarks currently exist comes within its operation.⁹¹ Therefore, the prohibition on the sale of the goods would have to be justified.⁹² The meaning of “encumbered by special requirements” for the purposes of Article 20 of TRIPS does not include a partial or total prohibition on the use of a trademark.⁹³ This interpretation is consistent with, and required by, a view that there is no implied right to use a trademark conferred by Article 20. It is also

⁸⁵ See Davison, *supra* note 57, at 9.

⁸⁶ See *id.* Davison states:

Trademark usage is but one of multiple factors that governments consider in making policy decisions. It is difficult to accept that governments would compromise their ability to protect public health and to pursue other valid policy objectives via the oblique and imprecise means of conferring an implied right to use trademarks without so much as a suggestion as to how to limit that right or how to create exceptions to it.

Id.

⁸⁷ See *id.* at 10–11. A trademark may also be “a non-word trademark, which includes artistic works such as logos, figurative or stylised marks, shape marks and colour marks. The use of these non-word trademarks is prohibited by the plain packaging legislation at the retail level, as only word trademarks may be used on tobacco packaging.” *Id.* at 11.

⁸⁸ TRIPS, *supra* note 8, art. 20. Note, however, that a primary objective of Article 20 is “to prevent governments requiring trademark owners to take positive action that would diminish the distinctiveness of their own trademarks.” Davison, *supra* note 57, at 13. This is not the same as the ability of governments to confer a right to *use* trademarks. *Id.*

⁸⁹ Davison, *supra* note 57, at 15–16; see also GERVAIS REPORT, *supra* note 44, at 12.

⁹⁰ TRIPS, *supra* note 8, art. 20; see also Davison, *supra* note 57, at 11 (“[T]he four examples of special requirements given by Article 20 generate an *ejusdem generis* in which ‘special requirements’ constituting the encumbrance are requirements relating to actual use, not partial or total prohibition of use.”).

⁹¹ See Davison, *supra* note 57, at 11–12.

⁹² *Id.* at 12. (stating that the need for justification “is only strengthened by Article 7 of the Paris Convention, which is incorporated into the TRIPS Agreement by TRIPS Articles 2 and 15(4)”).

⁹³ Davison, *supra* note 57, at 12.

consistent with, and an integral part of, the matrix of trademark protection provided by the Paris Convention and TRIPS.⁹⁴

B. Peripheral Factors—Triumphant or Treacherous?

Advocates and scholars contesting trademark holders' claims may seek to focus on human rights, public health, and even textual reasons to justify expansive public-interest regulations.⁹⁵ In the context of tobacco control, scholars and advocates invoke the World Health Organization's Framework Convention on Tobacco Control⁹⁶ and the International Covenant on Economic, Social and Cultural Rights⁹⁷ to justify strong laws limiting the use of tobacco trademarks.⁹⁸ According to scholars, because human rights are inviolable, a trademark holder's property interest is necessarily subordinate in the case of a conflict.⁹⁹ In this sense, if a prohibition concerning the use of property can be justified as reasonably necessary to the performance by a State of its recognized obligations to protect the public health, safety, morals, or welfare, then it would normally seem that there has been no "taking" of property.¹⁰⁰ This view is well in-line with the objectives of TRIPS Article 8.

Further, Articles 7 and 8 of the TRIPS Agreement state that there should be a balance struck between private profit and social welfare.¹⁰¹ The Committee on

⁹⁴ *Id.* at 16. Davison says:

In other words, Articles 15, 16, 17, 19, 20 and 21 of TRIPS combine perfectly with the Paris Convention to maintain the registrability of inherently distinctive trademarks, if there is a prohibition on their use. Simultaneously, they avoid all the difficulties necessarily involved with implying a right of use of such trademarks, and they protect the distinctiveness of trademarks from any positive actions by third parties or government-mandated actions of trademark owners that might affect that distinctiveness.

Id.

⁹⁵ GERVAIS REPORT, *supra* note 44, at 13–14; *see also* Vadi, *supra* note 25, at 95.

⁹⁶ World Health Org. Framework for Convention on Tobacco Control, Feb. 27, 2005, 2302 U.N.T.S. 166 [hereinafter WHO Convention]; Working Grp. on the World Health Org. Framework Convention on Tobacco Control, Oct. 25–29, 1999, *Report of the First Meeting of the Working Group*, ¶ 14, U.N. Doc. A/FCTC/WG1/7 (Oct. 28, 1999) [hereinafter *WHO Framework Report*].

⁹⁷ International Covenant on Economic, Social and Cultural Rights art. 4, Dec. 16, 1966, available at <http://www2.ohchr.org/english/law/cescr.htm> [hereinafter ESC Int'l Covenant].

⁹⁸ The importance of the WHO Convention in a State introducing plain packing legislation is discussed below. *See* Allyn L. Taylor & Douglas W. Bettcher, *WHO Framework Convention on Tobacco Control: A Global "Good" for Public Health*, 78 BULL. WORLD HEALTH ORG. 920, 925 (2000).

⁹⁹ GERVAIS REPORT, *supra* note 44, at 17–18.

¹⁰⁰ *Id.* at 18.

¹⁰¹ TRIPS, *supra* note 8, art. 7. It states:

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

Economic, Social and Cultural Rights has emphasized “[t]he end which intellectual property protection should serve is the objective of human well-being, to which international human rights instruments give legal expression.”¹⁰² This paper is sensitive to the fact that trademarks, when seen in the light of human rights concerns, discloses the “paradox of property”—that is, the paradox of governments striving for equilibrium between private and public interests.¹⁰³

From a private-rights perspective, this view may be subject to criticism, as there exists little predictability when balancing investment claims with international human rights instruments. On the one hand, expectations of a private entity, or investor, should be tempered by knowledge that a State’s various treaty obligations, including human rights and/or public-health provisions, will be construed in a manner to ensure efficiency of the legal system.¹⁰⁴ However, as already outlined, the language of multilateral and human-rights treaties and Conventions tend to impose few concrete obligations. For example, as illustrated in the past by the Doha Declaration on the TRIPS Agreement and Public Health, a tension exists within this agreement between the protection of intellectual property rights and the public interest.¹⁰⁵ Depending on the interplay between, and the interpretation of, Articles in the TRIPS and the Paris Convention, and assuming that the drafting of provisions in plain packaging legislation is not in breach of international obligations, the validity of plain packaging legislation can be endorsed.

The divergence in the approaches of courts and legislatures in Australia and United States in their attempts to balance these objectives, however, is apparent in part IV of this paper. As will be discussed, the key lies in courts’ recognition of the “instrumental” nature or character of intellectual property rights and statutory purpose, which begs the question of whether, in protecting property rights, a balance between private-right and public-right can be struck.

It is argued that the character, broadly speaking, of such rights, and of the conditions informing their creation, may be relevant to identifying whether and in what circumstances restriction or regulation of their enjoyment by a statute amounts to *acquisition*, in the case of Australia, or *taking* of property, in the United States pursuant to their Constitutions.

For now, at least, the relative unpredictability of arbitration and judicial decisions on the appropriate extent of regulation without compensation, in the

Id. (emphasis added).

¹⁰² Vadi, *supra* note 25, at 122; *see also* United Nations, Econ. & Soc. Council, Comm. on Econ., Soc. & Cultural Rights, Substantive Issues Arising in the Implementation of the International Covenant on Economic, Social and Cultural Rights, ¶ 4, U.N. Doc. E/C.12/2001/15 (Dec. 14, 2001) [hereinafter ECOSOC].

¹⁰³ Vadi, *supra* note 25, at 122; *see also* Peter Drahos, *Intellectual Property and Human Rights*, 3 INTELL. PROP. Q. 349, 360–61 (1999).

¹⁰⁴ ECOSOC, *supra* note 102, ¶ 4.

¹⁰⁵ TRIPS Declaration, *supra* note 38, ¶ 4 (expressing that the Doha Declaration affirms that “the TRIPS Agreement does not and should not prevent Members from taking measures to protect public health.”). In this regard, the Doha Declaration enshrines the principles the WHO has publicly advocated and advanced over the years, namely the re-affirmation of the right of WTO Members to make full use of the safeguard provisions of the TRIPS Agreement in order to protect public health and enhance access to medicines for poor countries.

context of plain packaging, suggests that scholars, judges, and regulators need to consider the appropriate way to compensate trademark holders. Informative debates fail to give adequate guidance.

III. DOMESTIC SPHERE

As outlined, there are a number of arguments challenging the validity of plain packaging legislation at an international level. However, the extent to which these arguments may succeed remains unseen. The international framework is a complex web of Treaties, Agreements, and Conventions, which allow some discretion for States to interpret international principles and implement them in domestic law. This section draws a comparison between the relevant Constitutional provisions in Australia and the United States that may be invoked to support or deny plain packaging legislation. As discussed previously, the normative focus remains on a property-rights perspective.

Presently, Australia is the only jurisdiction that has passed and implemented plain packaging legislation.¹⁰⁶ The discussion in this section, therefore, will be focused primarily on legal and Constitutional challenges of comparative jurisdictions that have considered, or are considering, substantially similar legislative provisions.

A. Social “Harms” and Policy “Norms”

In 2012, Australia became the first nation to successfully introduce statutory mandates governing plain packaging of cigarettes.¹⁰⁷ As already described, this means that all tobacco products are sold in “plain olive packets” that contain no promotional or branding messages from the producer.¹⁰⁸ While at first glance one might see this as a radical step, such action is entirely consistent with long-standing international initiatives and protocols.

In 2005, for example, the World Health Organization adopted a framework convention on the distribution or sale of tobacco products.¹⁰⁹ This protocol, which was ultimately signed by 168 nations, was the first treaty negotiated by the international organization to attract support to reaffirm the universal human right accessing the highest standards of health.¹¹⁰ Its adoption is described as a “paradigm shift in developing a regulatory strategy to address addictive substances.”¹¹¹ One important aspect that separates it from, for example, drug control treaties, is that it

¹⁰⁶ See *TPPA 2011*, *supra* note 3, at s 2–3.

¹⁰⁷ *TPPA 2011*, *supra* note 3.

¹⁰⁸ *Id.* s 19(2)(ii).

¹⁰⁹ WHO Convention, *supra* note 96; see also C. Callard et al., *Transforming the Tobacco Market: Why the Supply of Cigarettes Should be Transferred from For-Profit Corporations to Non-Profit Enterprises With a Public Health Mandate*, 14 *TOBACCO CONTROL* 278, 278 (2005).

¹¹⁰ Ruth Roemer et al., *Origins of the WHO Framework Convention on Tobacco Control*, 95 *AM. J. PUB. HEALTH* 936, 936 (2005).

¹¹¹ Christopher Man-Kit Leung et. al., *Fighting Tobacco Smoking—A Difficult but Not Impossible Battle*, 6 *INT’L J. ENVTL. RES. & PUB. HEALTH* 69, 73 (2009).

addresses demand as well as supply reduction.¹¹² Importantly, the framework document and subsequent protocols were a response to an increasingly perceived need to combat the “globalization of the tobacco epidemic.”¹¹³ This “epidemic” is enabled through business strategies that have effects across borders, including trade liberalization.¹¹⁴ In other words, tobacco companies have been able to take advantage of economic forces that are designed to enhance and assist in development and economic growth.¹¹⁵ Accordingly, the WHO produced a number of “core demand” provisions, which are within two broad categories: price and tax measures, not addressed in this paper; and non-price measures to promote reduction.¹¹⁶ These non-price measures include: protection from tobacco smoke; regulation of the contents of tobacco products; regulation of tobacco product disclosures; packaging and labeling of tobacco products; education, communication, and training, as well as enhanced public awareness, advertising, promotion, and sponsorship; and demand reduction measures concerning tobacco dependence and cessation.¹¹⁷

As noted, the treaty has 168 signatories, including the European Union, and therefore it is one of the most “widely embraced” treaties in the history of the United Nations.¹¹⁸ Though signatories’ obligations are subject to their interpretations and wills to take action, the obligation is clear.¹¹⁹ Furthermore, if we take the above noted provisions as a whole, they clearly justify any action that may result in a reduction in health problems. This is because a signatory places itself under an obligation to take action regarding packaging and labeling in order to meet the requirements of international obligations, as well as to promote public awareness of the dangers of tobacco. Thus, when tobacco companies, such as British American Tobacco Australasia Limited (“BAT”) and JT International SA (“JTI”), challenged the Tobacco Plain Packaging Bill 2011, the WHO Convention only strengthened the position of the government.

Despite arguments to the contrary,¹²⁰ it is fair to say that governments that are active in regulating tobacco distribution—including, but not limited to, Australia, the United States, Canada, and the European Union—have greater responsibilities to their citizens than merely upholding the rights of particular groups. For example, there is an understanding of a duty to ensure that citizens are not harmed, i.e., misled, which has a place in complementary legislation, including legislation governing consumer protection.¹²¹

¹¹² *Id.*

¹¹³ WORLD HEALTH ORG., WHO REPORT ON THE GLOBAL TOBACCO EPIDEMIC, 2011: WARNING ABOUT THE DANGERS OF TOBACCO 12, *available at* <http://www.who.int/tobacco/mpower/en/> [hereinafter 2011 WHO REPORT].

¹¹⁴ *Id.*; Leung et. al., *supra* note 111, at 71.

¹¹⁵ Leung et. al., *supra* note 111, at 71.

¹¹⁶ 2011 WHO REPORT, *supra* note 113, at 12–13.

¹¹⁷ *Id.*

¹¹⁸ Leung et. al., *supra* note 111, at 73.

¹¹⁹ It should be noted that the United States, whilst having signed the Convention, has not ratified it. *Parties to the WHO Framework Convention on Tobacco Control*, WHO, http://www.who.int/fctc/signatories_parties/en/index.html (last updated June 25, 2013).

¹²⁰ See Callard et. al., *supra* note 109, at 278.

¹²¹ See *Competition and Consumer Act 2010* (Cth) sch 2 (Austl.) (formerly the *Trade Practices Act 1974* (Cth) s 51ADG governing “false or misleading information”); The Federal Trade

B. The Tobacco Plain Packaging Act 2011 (Cth)

The Tobacco Plain Packaging Act 2011 (Cth) (“TPPA”) imposes significant restrictions upon the color, shape, and finish of retail packaging for tobacco products. It is an object of the TPPA to give effect to the obligations that Australia has as a party to the WTO Convention.¹²² The Act thereby relies upon the power of the Commonwealth Parliament to make laws with respect to external affairs.¹²³

The TPPA is superimposed upon pre-existing regulatory requirements for health warnings, safety, and information standards applied to tobacco products and their packaging.¹²⁴ Its stated objectives include the improvement of public health by “discouraging people from taking up smoking,” “encouraging people to give up smoking,” “discouraging people who have given up smoking . . . from relapsing,” and “reducing people’s exposure to smoke from tobacco products.”¹²⁵ It prohibits the use of trademarks on such packaging, other than those permitted by the TPPA, which allows the use of a “brand, business or company name for the tobacco product[.]”¹²⁶ Importantly, Part 3 of Chapter 1 of the TPPA, entitled “Constitutional provisions,” provides for the Act’s additional operation in reliance upon corporations’ power, the trade and commerce power, and the Territories’ power.¹²⁷

Section 15(1) provides for the non-application of the TPPA to the extent, if any, “that its operation would result in an acquisition of property from a person otherwise than on just terms.”¹²⁸ Section 15(2) provides that if, leaving aside section 15, the TPPA “would result in such an *acquisition* of property because it would prevent the *use* of a trade mark or other sign on or in relation to the retail packaging of tobacco products . . . the trade mark or sign may be used.”¹²⁹ It was the validity of that subsection, amongst others, that was at issue.

Substantive requirements for the physical features, colors, and finishes of retail packaging are imposed by sections 18 and 19 of the TPPA and by the Tobacco Plain Packaging Regulations 2011 (Cth) (“the TPP Regulations”) made under that Act.¹³⁰ Embellishments on cigarette packs and cartons are proscribed.¹³¹ Packs and cartons are to be rectangular, have only a matte finish, and bear on their surfaces the color prescribed by the TPP Regulations.¹³² Absent regulation, the color of the package must be a drab dark brown.¹³³ The TPP Regulations says that “brand, business or

Commission Act, Pub. L. No. 63-203, 38 Stat. 717 (1914) (codified as amended at 15 U.S.C §§ 41–58); WORLD HEALTH ORG., TOOLS FOR ADVANCING TOBACCO CONTROL IN THE 21ST CENTURY, TOBACCO CONTROL LEGISLATION: AN INTRODUCTORY GUIDE 268 (2004).

¹²² *TPPA 2011*, *supra* note 3, ss 3, 18–19.

¹²³ *Id.* s 8.

¹²⁴ *Id.* s 3.

¹²⁵ *Id.*

¹²⁶ *Id.* s 20.

¹²⁷ *Id.* s 14; *see also Acts Interpretation Act 1901* (Cth) s 15A (Austl.) (requiring that construction of Federal legislative instruments be subject to the Constitution).

¹²⁸ *TPPA 2011*, *supra* note 3, s 15(1).

¹²⁹ *Id.* s 15(2) (emphasis added).

¹³⁰ *Id.* ss 18–19.

¹³¹ *Id.*

¹³² *Id.* ss 18(2)(b), 19(2).

¹³³ *Id.* s 19(2)(b).

company name, or any variant name, for tobacco products that appears on the retail packaging . . . must comply with” the TPP Regulations.¹³⁴ They must not obscure any “relevant legislative requirement” or “appear more than once on any of the . . . front, top and bottom outer surfaces of the pack.”¹³⁵

The use of trademarks on retail packaging of tobacco products is prohibited other than as permitted by section 20(3), which provides:

The following may appear on the retail packaging of tobacco products:

- (a) the brand, business or company name for the tobacco products, and any variant name for the tobacco products;
- (b) the relevant legislative requirements;
- (c) any other trade mark or mark permitted by the regulations.¹³⁶

Section 26 imposes a similar conditional prohibition on the use of trademarks on tobacco products.¹³⁷ The term “relevant legislative requirement[]” in section 20(3)(b) includes a health warning required by the Trade Practices (Consumer Product Information Standards) (Tobacco) Regulations 2004 (Cth) (“the TPCPI Regulations”), or a safety or information standard made or declared under the Competition and Consumer Act 2010 (Cth) (“the CCA”).¹³⁸ Chapter 3 of the TPPA creates offences and provides for civil penalties.¹³⁹

The relevant prescriptive provisions of TPPA sections 18 to 27 are declared by section 27A to have “[n]o legal effect other than to specify requirements, and provide for regulations specifying requirements, for the purposes of the definition of *tobacco product requirement*.”¹⁴⁰

Notably, “tobacco product requirement” is a defined term that means a requirement specified in Part 2 of Chapter 2 or in the TPP Regulations made under that Part.¹⁴¹ The registrability of trademarks and designs, whose use is subject to constraints imposed by the TPPA and the TPP Regulations, is not to be prejudiced by those constraints.¹⁴² Consistent with the requirements under the TRIPS Agreement and Paris Convention already discussed, neither the TPPA nor the TPP Regulations deprive a trademark of registrability for non-use or for “the use of the trade mark in relation to tobacco products . . . [to] be contrary to law.”¹⁴³ In this respect, neither the TPPA, nor the circumstance that a person cannot “us[e] a trade mark on or in relation to the retail packaging of tobacco products, or on tobacco products,” is a

¹³⁴ *Id.* s 21.

¹³⁵ *Id.*

¹³⁶ *Id.* s. 20.

¹³⁷ *Id.* s 26.

¹³⁸ *Id.* s 20(3).

¹³⁹ *Id.* ch 3.

¹⁴⁰ *Id.* s 27(a) (emphasis in original).

¹⁴¹ *Id.* s 4.

¹⁴² *Id.* ss 28–29.

¹⁴³ *Id.* s 28.

circumstance “mak[ing] it reasonable or appropriate” to refuse or revoke registration of the trademark, to revoke acceptance of an application for registration, or “to register the trade mark subject to conditions or limitations.”¹⁴⁴ There does, however, exist a less intricate provision in section 29 of the Designs Act 2003 (Cth), a discussion of which is beyond the scope of this paper.¹⁴⁵

C. The Australian Tobacco Plain Packaging Case—Withstanding Constitutional Mandates in Australia and the United States

In two proceedings heard before the High Court of Australia in April of last year, plaintiff tobacco companies JT International SA (“JTI”) and members of the British America Tobacco Group (“BAT”) argued that, “subject to a reading down provision, the TPP Act effected an acquisition of their intellectual property rights and goodwill on other than just terms, contrary to s 51(xxxi) of the Constitution.”¹⁴⁶

A majority of the Court found that the legislation *was* constitutionally valid because an acquisition of statutory intellectual property on “unjust terms,” within the meaning of section 51(xxxi), must “involve the accrual of a benefit of a proprietary character.”¹⁴⁷ On August 15, 2012, the High Court “made orders reflecting the rejection of the plaintiffs’ contentions, by majority, on the basis that there had been no acquisition of the plaintiffs’ property within the meaning of s 51(xxxi) of the Constitution.”¹⁴⁸ The property, which was said to be the subject of acquisition under the TPPA, comprised a mixture of statutory and associated, or derivative, non-statutory rights, which are outlined below.

The Court said: “Section 51(xxxi) confers upon the Commonwealth Parliament the power to make laws with respect to: ‘[t]he *acquisition of property on just terms* from any State or person for any purpose in respect of which the Parliament has

¹⁴⁴ *Id.*

¹⁴⁵ *Designs Act 2003* (Cth) s 29 (Austl.). The provision reads as follows:

Disputes between applicants

(1) This section applies if a dispute arises between 2 or more persons in relation to whether, or in what manner, a design application should proceed.

(2) The Registrar may, on a request made in accordance with the regulations by any of the persons, make any determinations the Registrar thinks fit for either or both of the following purposes:

(a) enabling the application to specify which of those persons is an entitled person in relation to a design disclosed in the application;

(b) regulating the manner in which the application is to proceed.

(3) A person mentioned in subsection (1) or (2) must be:

(a) the applicant; or

(b) a person who asserts that the person is an entitled person in relation to a design disclosed in the application.

Id.

¹⁴⁶ *JT Int’l SA v Commonwealth* (Cth) (2012) HCA 43, ¶ 2 (Austl.).

¹⁴⁷ *Id.* ¶ 44.

¹⁴⁸ *Id.* ¶ 3.

power to make laws.”¹⁴⁹ In its analysis of whether there had been an acquisition of all or any of the plaintiffs’ asserted property rights, the Court turned its attention to the *source* and *nature* of the property rights and the consequences of the restrictions imposed by the TPPA upon their use or enjoyment.¹⁵⁰

Traditionally, the term “property” as used in section 51(xxxi), has been construed broadly in Australia.¹⁵¹ The High Court acknowledged that the broad construction of “property” and “acquisition” discussed were constructed in light of comments by Judge Dixon in *Bank of New South Wales v The Commonwealth*.¹⁵² The Court emphasized that “[s]ection 51(xxxi) was said to extend to ‘innominate and anomalous interests’ and to include ‘the assumption and indefinite continuance of exclusive possession and control for the purpose of the Commonwealth of any subject of property.’”¹⁵³

It encompassed property rights created by statute, although it is accepted that the terms of such statutes and the *nature* of the property rights created require examination to determine whether and to what extent that property attracts the protection of section 51(xxxi).¹⁵⁴ The rights given by successive Commonwealth statutes to holders of registered trademarks have always been property of, what the statute calls, the registered proprietor. Such rights, it has been noted, are “the *exclusive rights*: (a) to *use* the trade mark; and (b) to authori[ze] other persons to use the trade mark; in relation to the goods and/or services in respect of which the trade mark is registered.”¹⁵⁵

In the context of trademarks, the “exclusive right” to use a mark under section 20(1)(a) of the Trade Marks Act 2005 (Cth) may be described as a negative right—

¹⁴⁹ *Id.* ¶ 29 (emphasis added).

¹⁵⁰ *Id.* at ¶¶ 35, 43-44.

Registered trade marks, designs, patents and copyright in works and other subject matter give rise to, or constitute, exclusive rights which are property to which s 51(xxxi) of the Constitution can apply. They are all rights which are created by statute in order to serve public purposes. They differ in their histories, their character and the statutory schemes which make provision for them.

Id. at ¶ 35.

¹⁵¹ See *Clunies-Ross v Commonwealth* (1984) 155 CLR 193, ¶ 7 (Austl.) (distinguishing the more narrow definition of “land” in the *Lands Acquisition Act 1955* (Cth)); *Tape Mfrs. Ass’n Ltd v Commonwealth* (1993) 176 CLR 480, ¶ 31 (Austl.); *Minister for the Army v Dalziel* (1944) 68 CLR 261, 276 (Austl.); *Commonwealth v New South Wales* (1923) 33 CLR 1, 3 (Austl.).

¹⁵² *JT Int’l SA v Commonwealth* (Cth) (2012) HCA 43, ¶ 41 (Austl.); *Bank of NSW v Commonwealth* (1948) 76 CLR 1, 12 (Austl.).

¹⁵³ *JT Int’l SA v Commonwealth* (Cth) (2012) HCA 43, ¶ 41 (Austl.).

¹⁵⁴ It is incorrect to assert that “property” has no existence apart from statute. See *Attorney-General (NT) v Chaffey* (2007) 231 CLR 651, 664 ¶ 23 (Austl.); *Commonwealth v WMC Res. Ltd* (1998) 194 CLR 1, 70 ¶ 15 (Austl.). This should not imply, however, that the extinguishment or restriction of a statutory exclusive right, without more, would constitute an acquisition for the purpose of section 51(xxxi). Also, it should be borne in mind, that the property in a statutory trademark is not permanent. *JT Int’l SA v Commonwealth* (Cth) (2012) HCA 43, ¶ 31 (Austl.). This is a position consistent within the meaning of Articles 6, 7, 8 and 20 of the TRIPS Agreement, and the very premise of the trademark regime. TRIPS, *supra* note 8, art. 6–8, 20.

¹⁵⁵ *Trade Marks Act 1995* (Cth) s 20 (Austl.) (emphasis added); see also *Trade Marks Act 1905* (Cth) ss 49(3), 58–60 (Austl.).

that is, a right that excludes others from using that mark.¹⁵⁶ Notably, “trademarks do not offer their owners positive rights to actually use the sign, but just a *jus excludendi alios*, that is, a negative right to prevent third parties from using the asset in question.”¹⁵⁷ Regarding plain packaging, there may be some merit to the argument that this form of packaging does not encroach on trademarks, “as no positive right to use trade marks is offered by TRIPS to trade mark holders.”¹⁵⁸

Notwithstanding this statement, the High Court cautioned against approaching issues arising under section 51(xxxi) of the Constitution on the premise that registration under the Trade Marks Act 2005 (Cth), for example, conferred “some unconstrained right to exploit those items of intellectual property or an immunity from the operation of regulatory laws.”¹⁵⁹

This point is important in discussing the interpretation of trademark “use” and distinguishing “acquisition” from “taking.” In other words, considering the interplay between negative and positive rights as to the identification, nature, and scope of property rights is an essential first step in determining whether there has been an acquisition, deprivation, or “taking” in breach of constitutional mandates.

With respect to the “nature” of property rights, the High Court alluded to an important distinction between Australia and other countries, including the United States.¹⁶⁰ There is no doubt that intellectual property laws *create* property rights, but the scope of these rights may be dependent upon whether the rights are recognized as being “instrumental” in character, a recognition which differs from jurisdiction to jurisdiction.¹⁶¹ An understanding of the scope of this “instrumental in character” language is, therefore, central to understanding the relevance of constitutional mandates for the purposes of determining the constitutional validity of plain packaging legislation.¹⁶²

That is not to say that from the perspective of Australia, such rights are inherently susceptible to variation on account of their instrumental character, nor

¹⁵⁶ Vadi, *supra* note 25, at 122. On the other hand, a positive right may be to obtain registration on the satisfaction of certain conditions and may be described as ancillary to the negative right.

¹⁵⁷ *Id.* (emphasis added). TRIPS, *supra* note 8 art. 16(1) states:

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. 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.

Id.

¹⁵⁸ Vadi, *supra* note 25, at 122; *see also* Benn McGrady, *TRIPS and Trademarks: The Case of Tobacco*, 3 WORLD TRADE REV. 53, 66–67 (2004).

¹⁵⁹ *JT Int’l SA v Commonwealth* (Cth) (2012) HCA 43, ¶ 88 (Austl.).

¹⁶⁰ *Id.* ¶¶ 112–117.

¹⁶¹ *Id.* ¶¶ 112, 126; *see also* PETER DRAHOS, A PHILOSOPHY OF INTELLECTUAL PROPERTY 213–23 (1996) (arguing in favor of instrumentalism).

¹⁶² *JT Int’l SA v Commonwealth* (Cth) (2012) HCA 43, ¶ 42–44 (Austl.).

that they fail to fall within the ambit of section 51(xxxi).¹⁶³ Rather, there are, and always have been, “purposive elements” reflecting public policy considerations that influence the statutory creation of intellectual property rights.¹⁶⁴ It is therefore accepted that “the protection given to property rights varies with the *nature* of the right.”¹⁶⁵

An understanding of the “nature” of a property right in the context of section 51(xxxi) may be derived from its “source.” This source provides a greater contextual understanding of the role of “purposive elements” in defining the character of the particular right, and the protection to be afforded under the Constitution—a point that was not intricately analyzed in the present case.¹⁶⁶ This is unlike the position in the United States, where such purposive elements in determining the scope of property are subordinate to the relative requirements of, for example, the First and Fifth Amendments.¹⁶⁷

It is acknowledged that the “source” of section 51(xxxi) is found in the Fifth Amendment of the United States Constitution,¹⁶⁸ which qualifies the power of the United States to expropriate property by requiring that it should be done “on payment of fair compensation.”¹⁶⁹ But Australia and the United States differ in their recognition of the nature, or “character,” of such interests.¹⁷⁰ This, in turn, has the effect of influencing the application of certain Constitutional mandates, discussed below.

In relation to statutory purpose, the High Court noted that:

[R]eflected in the character of such rights and in the conditions informing their creation, may be relevant to the question whether and in what circumstances restriction or regulation of their enjoyment by a law of the Commonwealth amounts to *acquisition of property* for the purposes of s 51(xxxi).¹⁷¹

An “important distinction[]” exists regarding a *taking* of property and its *acquisition*.¹⁷² “Taking” involves a deprivation of property seen from the perspective of its owner, whereas “acquisition” involves receipt of something seen from the

¹⁶³ *Id.*

¹⁶⁴ For example, the public policy dimensions of trade mark legislation and the contending interests which such dimensions accommodate were referred to in *Campomar Sociedad, Limitada v Nike Int'l Ltd* (2000) 202 CLR 45, 65–68 (Austl.). The observation in that case that Australian trademarks law has “manifested from time to time a varying accommodation of commercial and the consuming public’s interests” has application with varying degrees of intensity to other intellectual property rights created by statute. *Id.*

¹⁶⁵ *Zhu v Treasurer of New South Wales* (2004) 218 CLR 530, 577 (Austl.) (emphasis added).

¹⁶⁶ *JT Int'l SA v Commonwealth (Cth)* (2012) HCA 43, ¶ 29 (Austl.).

¹⁶⁷ *Id.* ¶ 117.

¹⁶⁸ *Id.* ¶ 111.

¹⁶⁹ *Id.* (citing *Andrews v Howell* (1941) 65 CLR 255, 282 (Austl.)); *see also* *Grace Bros. Prop. Ltd v Commonwealth* (1946) 72 CLR 269, 290 (Austl.) (noting that the phrase “on just terms” was “of course, reminiscent of the Fifth Amendment”).

¹⁷⁰ *JT Int'l SA v Commonwealth (Cth)* (2012) HCA 43, ¶ 112 (Austl.).

¹⁷¹ *Id.* ¶ 30.

¹⁷² *Id.* ¶ 112.

perspective of the acquirer,¹⁷³ which is not composed of a mere extinguishment of rights. The High Court has alluded to this distinction, observing that:

The emphasis in s 51(xxxi) is not on a “taking” of private property but on the *acquisition* of property for purposes of the Commonwealth. To bring the constitutional provision into play it is not enough that legislation adversely affects or terminates a pre-existing right that an owner enjoys in relation to his property; there must be an acquisition whereby the Commonwealth or another acquires an interest in property, however slight or insubstantial it may be.¹⁷⁴

In other words, section 51(xxxi) speaks of “acquisition” for any “purpose” where there is federal legislative power.¹⁷⁵ The Fifth Amendment, on the other hand, “which also applies to the States by the medium of the Fourteenth Amendment guarantee against the deprivation of property without due process of law,¹⁷⁶ is expressed in the form of a negative, appears with the due process clause, and speaks of private property being ‘taken’ for ‘public use.’”¹⁷⁷ “Public use” has been interpreted to include use that is for “the public good,” “the public necessity,” or “the public utility.”¹⁷⁸

Yet, decisions in the United States accept that the “takings” clause may be utilized in lieu of an “acquisition,” as referred to in Australia. This is a demanding premise, which tobacco advocates may have to use to challenge plain packing legislation in the United States.¹⁷⁹ On the other hand, advocates may seek to exploit the implicit “fairness and justice” standard in the Fifth Amendment, further examined below, which directs that private property should not be “taken” in the absence of just compensation.¹⁸⁰ Reference to “fairness and justice,” in this sense, “require[s] that economic injuries caused by public action be compensated by the

¹⁷³ *Georgiadis v Australian & Overseas Telecomms. Corp.* (1994) 179 CLR 297, 304–05.

¹⁷⁴ *JT Int’l SA v Commonwealth (Cth)* (2012) HCA 43, ¶ 118 (Austl.) (emphasis in original).

¹⁷⁵ *See Trade Practices Comm’n v Tooth & Co. Ltd* (1979) 142 CLR 397, 408 (Austl.) (stating that “not every compulsory divesting of property is an acquisition within s. 51(xxxi).”).

¹⁷⁶ *Prune Yard Shopping Ctr. v. Robins*, 447 U.S. 74, 82 (1980) (holding, prior to the introduction of the Fourteenth Amendment that the Fifth Amendment was a constraint solely upon the Government of the United States).

¹⁷⁷ *JT Int’l SA v Commonwealth (Cth)* (2012) HCA 43, ¶ 113 (Austl.). The public use requirement assumes an inherent or implied legislative power to take private property for public use.

¹⁷⁸ *See Kelo v. City of New London*, 545 U.S. 469, 480–89 (2005) (ruling that the federal judiciary should not make an independent judgment as to whether a taking of private property is for a “public use,” and stating that the question is whether the government authority—Federal, State or local—can make a rational argument that the taking resulted in a “public benefit”).

¹⁷⁹ *See Trade Practices Comm’n v Tooth & Co. Ltd* (1979) 142 CLR 397, 413–15 (Austl.) (discussing how a doctrine permitting “regulation”, which does not amount to a “taking,” moderates the boundaries of the Fifth Amendment); *JT Int’l SA v Commonwealth (Cth)* (2012) HCA 43, ¶ 115 (Austl.) (citing *Lingle v. Chevron USA Inc.*, 544 U.S. 528, 539 (2005)) (“[R]egulation” amounting to a “taking” if the regulatory actions in question are “functionally equivalent to the classic taking in which government directly appropriates private property or ousts the owner from his domain.”).

¹⁸⁰ *Armstrong v. United States*, 364 U.S. 40, 49 (1960).

government, rather than remain disproportionately concentrated on a few persons.”¹⁸¹

In the United States, Congress might effectively “take” a trademark “by partially or totally prohibiting its use or by requiring additional product information (including warnings)” in order to serve a public purpose.¹⁸² As Professor Samuel Foster Halabi points out, this would limit the trademark holder to compensation for “the narrow interest in distinguishing its product from others.”¹⁸³

In the event the United States seeks to introduce plain packaging legislation, and on the assumption that a “taking of property” for the purposes of the Fifth Amendment *could* be established, there may exist sufficient scope to argue that the “purposive elements” of “justice and fairness” may not ever truly justify economic injuries.¹⁸⁴ A similar line of reasoning was expounded by Judge Brennan in the *Tasmanian Dam’s* case:

[In Australia, if] this Court were to construe s. 51(xxxi) so that its limitation applies to laws which regulate or restrict use and enjoyment of proprietary rights but which do not provide for the acquisition of such rights, it would be necessary to identify a touchstone for applying the limitation to some regulatory laws and not to others.¹⁸⁵

According to the statement of Chief Judge Mason in that case:

To bring the Constitutional provision into play it is not enough that legislation adversely affects or terminates a pre-existing right that an owner enjoys in relation to his property; there must be an acquisition whereby the Commonwealth or another acquires an interest in property, however slight or insubstantial it may be.¹⁸⁶

Applying this standard to the TPPA, it is clear that the Act does not cause the Commonwealth or anyone else to acquire any benefit of a proprietary character in tobacco companies’ property rights. The High Court adopted this reasoning in *JT International*, noting that “the negative character of the plaintiffs’ property rights

¹⁸¹ Penn Cent. Transp. Co. v. New York City, 438 U.S. 104, 124 (1978); *see also* Commonwealth v Tasmania (1983) HCA 21, ¶ 92 (Austl.).

¹⁸² Halabi, *supra* note 26, at 356–57.

¹⁸³ *Id.* at 357. For an in-depth analysis of the condemnation process, *see id.*

¹⁸⁴ An intricate examination of the balance between “justice and fairness” and economic rights is reserved for a future paper by the author. *See* Joseph W. Singer, *The Ownership Society and Takings of Property: Castles, Investments, and Just Obligations*, 30 HARV. ENVTL. L. REV. 309, 329 (2006) (arguing that “[p]art of what it means to be a member of society, to be an owner among owners, is to be part of a real or imagined social contract that limits liberty to enlarge liberty, that limits property to secure property”).

¹⁸⁵ Commonwealth v Tasmania (1983) HCA 21, ¶ 92 per Brennan, J (Austl.).

¹⁸⁶ *Id.* ¶ 68 per Mason, J.

leaves something of a logical gap between the restrictions on their enjoyment and the accrual of any benefit to the Commonwealth or any other person.”¹⁸⁷

Further, the Court stated:

The fact that the restrictions and prohibitions imposed by the TPP Act create the “space” for the application of Commonwealth regulatory requirements as to the textual and graphical content of tobacco product packages does not constitute such an accrual. Rather, it reflects a serious judgment that the public purposes to be advanced and the public benefits to be derived from the regulatory scheme outweigh those public purposes and public benefits which underpin the statutory intellectual property rights and the common law rights enjoyed by the plaintiffs. The scheme does that without effecting an acquisition.¹⁸⁸

This understanding of the general law has influenced the interpretation of section 51(xxxi).¹⁸⁹ Also important is the High Court’s recognition that, at common law, “the property interest associated with a trade mark [i]s derived from the goodwill of the business which used it.”¹⁹⁰

In his discussion about goodwill coming within the bounds of “proprietary rights,” Judge Gummow expressed caution in defining property too widely, saying that:

[S] 51(xxxi) gives protection against acquisition of property *without just terms* but “not to the general commercial and economic position occupied by traders” and that to treat this commercial and economic position as if it had a distinct proprietary character would be to repeat what in *Truax v Corrigan* Holmes J identified in a similar context as the fallacy of “delusive exactness.”¹⁹¹

“Delusive exactness,” Judge Holmes commented, “is a source of fallacy throughout the law.”¹⁹² He observed in this regard that:

[B]y calling a business “property” you make it seem like land, and lead up to the conclusion that a statute cannot substantially cut down the advantages of ownership existing before the statute was passed.

¹⁸⁷ *JT Int’l SA v Commonwealth (Cth)* (2012) HCA 43, ¶ 43 (Austl.).

¹⁸⁸ *Id.* ¶ 43.

¹⁸⁹ *Id.* ¶ 110.

¹⁹⁰ *Id.* ¶ 31 (citing *AG Spalding & Bros v AW Gamage Ltd* (1915) 32 RPC 273, 284 per Lord Parker (Austl.)). For a description of the property rights attaching to “goodwill,” see Federal Comm’r of Taxation v Murray (1998) 193 CLR 605 (Austl.); *Bacchus Marsh Concentrated Milk Co. Ltd v Joseph Nathan & Co. Ltd* (1919) 26 CLR 410, 438 (Austl.).

¹⁹¹ *JT Int’l SA v Commonwealth (Cth)* [2012] HCA 43, ¶ 47 (Austl.).

¹⁹² *Id.* ¶ 47.

An established business no doubt may have pecuniary value . . . [b]ut you cannot give it definiteness of contour by calling it a thing.¹⁹³

At first glance, this may seem to be a conservative position. But, there is great merit attached to this observation as, from a normative perspective, Judge Holmes rightly endorses preventing the blur of the boundaries of economic interests at the expense of diluting property interests.¹⁹⁴ This passage also provides context for the distinction the Court made between constitutional mandates in Australia and the United States, which were already discussed.

There is great importance in understanding the distinction between an “acquisition” of a non-right and a “taking” of property in the context of its correlation with establishing an “encumbrance” for the purpose of TRIPS Article 20.¹⁹⁵ Even then, only “the use of a trademark for the purposes of Article 20” is relevant for the purposes of assessing the legality of an “encumbrance by special requirements.”¹⁹⁶ Yet, there are many grounds on which to argue that plain packaging legislation exists outside of the course of trade. As Professor Davison points out, the majority of the value of plain packaging regulation likely comes from conduct outside the point-of-sale context—for example, smokers’ social interactions.¹⁹⁷ Further, the benefits, i.e., improvements in public health, sought by such regulation likewise occur outside the course of trade.¹⁹⁸ And to the extent that plain packaging regulation may be classified as “outside the course of trade” for the purpose of an Article 20 analysis, WTO Members would have a broad license to enact those regulations.¹⁹⁹ The High Court’s decision not to characterize the TPPA as a “law of ‘trade regulation,’” placing it outside the application of section 51(xxxi), albeit in the context of *acquisition* of property, implicitly supports this view.²⁰⁰ Additionally, as Professors Voon and Mitchell argue, an interpretation of Article 20 that takes account of the policy role of public health objectives delineated in Articles 7 and 8 justifies a public health-directed regulation like plain packaging.²⁰¹

¹⁹³ *Id.*

¹⁹⁴ Courts mention more frequently than commentators the additional goal of protecting producers’ goodwill, though they too generally describe that goal in market efficiency terms. *See* *Qualitex Co. v. Jacobsen Prods. Co.*, 514 U.S. 159, 163–64 (1995) (stating that trademark law “reduce[s] the customer’s costs of shopping and making purchasing decisions,’ [and] . . . helps assure a producer that it (and not an imitating competitor) will reap the financial, reputation-related rewards associated with a desirable product”); 4 J. THOMAS MCCARTHY, MCCARTHY ON TRADEMARKS AND UNFAIR COMPETITION § 2:3 (4th ed. 2012); *Union Nat’l Bank of Tex., Laredo, Tex. v. Union Nat’l Bank of Tex., Austin, Tex.*, 909 F.2d 839, 844 (5th Cir. 1990) (“The idea is that trademarks are ‘distinguishing’ features which lower consumer search costs and encourage higher quality production by discouraging free-riders.”).

¹⁹⁵ *See* Davison, *supra* note 57, at 11.

¹⁹⁶ *Id.*

¹⁹⁷ *Id.* at 21.

¹⁹⁸ *Id.*

¹⁹⁹ *Id.*

²⁰⁰ *JT Int’l SA v. Commonwealth (Cth)* (2012) HCA 43, ¶ 116 (Austl.).

²⁰¹ Tania Voon & Andrew Mitchell, *Implications of WTO Law for Plain Packaging of Tobacco Products*, in *PUBLIC HEALTH AND PACKAGING OF CIGARETTES: LEGAL ISSUES 14* (Edward Elgar ed., 2012).

*D. Normative Analysis and Constitutional Mandates in the United States—A Nail in
the Coffin for Plain Packaging Legislation?*

In the United States, restrictions on tobacco advertising and labeling would likely be invalidated on grounds that they violate the First Amendment’s command that “Congress shall make no law . . . abridging the freedom of speech.”²⁰² Though, such invalidation would not come without fisticuffs. The United States Supreme Court has repeatedly held that the First Amendment’s speech protections extend to commercial speech,²⁰³ including tobacco advertising, which could extend to plain packaging, i.e., a “taking” or “encumbrance.”

The Supreme Court construes the First Amendment to extend protections to some commercial speech,²⁰⁴ while permitting government regulation of commercial speech in proportion to the interests advanced. An understanding of the scope of the “interests” of the public to be recognized is, no doubt, a determining factor. A few things should be said, in this regard.

First, courts in the United States have generally become more antagonistic to commercial speech restrictions over time.²⁰⁵ And some speech simply remains unprotected under the First Amendment.²⁰⁶ For example, some seemingly core speech-rights reap no protection under the First Amendment, including obscene speech,²⁰⁷ defamation,²⁰⁸ and inciting words.²⁰⁹ However, the First Amendment does protect the related sexually oriented depictions, false and erroneous political and religious statements, and “misguided, or even hurtful” speech.²¹⁰ In a commercial context, false, deceptive, and misleading commercial speech is not protected by the First Amendment.²¹¹ But like other commercial speech, “*potentially* misleading

²⁰² U.S. CONST. amend. I. The Due Process Clause of the Fourteenth Amendment, U.S. CONST. amend. XIV, extended that proscription to the states. *Gitlow v. New York*, 268 U.S. 652, 666 (1925).

²⁰³ See *Va. State Bd. of Pharmacy v. Va. Citizens Consumer Council*, 425 U.S. 748, 762–63, 770, 772–73 (1976).

²⁰⁴ *Thompson v. Western States Med Ctr.*, 535 U.S. 357, 377 (2002) (holding unanimously that “purely commercial advertising” enjoyed no First Amendment protection, and emphasizing that “regulating speech must be a last—not first—resort”); *Sorrell v. IMS Health Inc.*, 131 S. Ct. 2653, 2666–67 (2011) (subjecting a regulatory program that affected commercial speech to First Amendment scrutiny and importing content and speaker-based concerns into the commercial speech context).

²⁰⁵ See *Va. State Bd. of Pharmacy*, 425 U.S. at 756–57 (reversing its longstanding decision in *Valentine v. Chrestensen*, 316 U.S. 52, 54–55 (1942)).

²⁰⁶ See *Snyder v. Phelps*, 131 S. Ct. 1207, 1218 (2011) (discussing particular words under certain circumstances, such as fighting words, are simply unprotected).

²⁰⁷ See *Miller v. California*, 413 U.S. 15, 23–24 (discussing “the inherent dangers of undertaking to regulate any form of expression,” such as obscenity).

²⁰⁸ See *New York Times Co. v. Sullivan*, 376 U.S. 254, 285–86 (1964) (establishing the “actual malice” standard considered for defamation cases against public officials or figures).

²⁰⁹ See *Brandenburg v. Ohio*, 395 U.S. 444, 447 (1969) (establishing the imminent lawless action test considered for inflammatory speech).

²¹⁰ See *Hurley v. Irish-American Gay, Lesbian and Bisexual Grp. of Bos., Inc.*, 515 U.S. 557, 574 (1995).

²¹¹ *In re R.M.J.*, 455 U.S. 191, 203 (1982).

commercial speech *is* protected to an intermediate degree.”²¹² If the concept of “commercial speech” is broad enough to encompass certain trademarks, and such trademarks, word or non-word, have the effect of misleading a consumer in the form of confusion (i) as to source or (ii) as to function because of the presence or absence of advertising the health benefits of tobacco, then plain packaging legislation would be unlikely to fall within the ambit of First Amendment protection.²¹³

Second, the government’s protection of commercial speech requires it to permit factual disclosures for the benefit of the consuming public.²¹⁴ It is well settled that the government has an interest in insuring that commercial transactions are conducted transparently and that consumers have broad access to truthful information when making purchasing decisions.²¹⁵

Accordingly, under Supreme Court precedent, the constitutionality of commercial disclosure requirements turns on whether they “directly advance[] the governmental interest asserted . . . [and are] not more extensive than is necessary to serve that interest.”²¹⁶ The Court has held on two occasions that the government’s interest in preventing consumer deception is capable of supporting disclosure requirements under this standard.²¹⁷

Third, just like trademark law, the principal purpose of such disclosures is to decrease consumers’ information costs.²¹⁸ Plain packaging falls squarely within the scope of an information-providing function. In light of this judicial approval, the federal government has put in place myriad regulatory disclosure requirements in order to improve access to truthful information and to protect consumers from economic and physical harm.²¹⁹ Plain packaging, through a suppression of certain

²¹² Jennifer L. Pomeranz, *No Need to Break New Ground: A Response to the Supreme Court’s Threat to Overhaul the Commercial Speech Doctrine*, 45 LOY. L.A. L. REV. 389, 399 (2012) (emphasis in original).

²¹³ *Rubin v. Coors Brewing Co.*, 514 U.S. 476, 494 (1995) (Stevens, J., concurring) (“[A]ny description of commercial speech that is intended to identify the category of speech entitled to less First Amendment protection should relate to the reasons for permitting broader regulation: namely, commercial speech’s potential to mislead.”).

²¹⁴ *Rubin*, 514 U.S. at 486.

²¹⁵ See *Va. State Bd. of Pharmacy v. Va. Citizens Consumer Council, Inc.*, 425 U.S. 748, 765 (1976); *Corn Prods. Ref. Co. v. Eddy*, 249 U.S. 427, 431 (1919) (“[I]t is too plain for argument that a manufacturer or vendor has no constitutional right to sell goods without giving to the purchaser fair information of what it is that is being sold.”).

²¹⁶ *Cent. Hudson Gas & Elec. Corp. v. Pub. Serv. Comm’n*, 447 U.S. 557, 566 (1980).

²¹⁷ *Zauderer v. Office of Disciplinary Counsel*, 471 U.S. 626, 651 (1985); *Milavetz, Gallop & Milavetz, P.A. v. United States*, 130 S. Ct. 1324, 1339–40 (2010).

²¹⁸ See Pomeranz, *supra* note 212, at 404–05 (quoting *Zauderer*, 471 U.S. at 651) (“[T]he extension of First Amendment protection to commercial speech is justified principally by the value to consumers of the information such speech provides, [so commercial actors’] constitutionally protected interest in not providing any particular factual information in his advertising is minimal.”) (emphasis omitted).

²¹⁹ *Rubin*, 514 U.S. 476, 492 (1995) (Stevens, J., concurring) (citing 15 U.S.C. § 77e (1994), which requires a registration statement before selling securities) (“In the commercial context . . . government . . . often requires affirmative disclosures that the speaker might not make voluntarily.”); 15 U.S.C. § 1333 (1994) (mandating on cigarette packs a “Surgeon General’s Warning” label); see also *Sorrell*, 272 F.3d at 116 (“Innumerable federal and state regulatory programs require the disclosure of product and other commercial information. . . To hold that the Vermont statute, [requiring disclosures for mercury-containing products] is insufficiently related to the state’s

items that are extraneous to the product to which it relates, *does* inform consumers about the underlying product and is, therefore, consistent with existing disclosure requirements.

Recent cases, *Commonwealth Brands, Inc. v. United States*²²⁰ and *Discount Tobacco City & Lottery v. United States*²²¹ (on appeal), shed further light on whether the advertising and labeling restrictions of plain packaging legislation would amount to permissible or impermissible restraints on a tobacco company's commercial speech. These cases examined whether the Family Smoking Prevention and Tobacco Control Act²²² ("FSPTCA") ran afoul of the commercial speech mandate in the First Amendment.²²³ In order to determine whether a particular government regulation of commercial speech is constitutionally permissible, courts use a four-step analysis derived from *Central Hudson*.²²⁴

Notably, the public health goals for the FSPTCA are outlined at the beginning of the legislation.²²⁵ Among the findings of Congress is the following statement:

[The FSPTCA regulations] will . . . advance the Federal Government's substantial interest in reducing the number of children and adolescents who use cigarettes and smokeless tobacco and in preventing the life-threatening health consequences associated with tobacco use.²²⁶

It also states that the FSPTCA regulations are:

interest in reducing mercury pollution would . . . [be] neither wise nor constitutionally required"); 15 U.S.C. § 78x (2012) (securities disclosures); 15 U.S.C. § 1333 (2012) (tobacco labeling); 21 U.S.C. § 343(q)(1) (2012) (nutritional labeling); 33 U.S.C. § 1318 (2012) (reporting of pollutant concentrations in discharges to water); 42 U.S.C. § 11023 (2012) (reporting of releases of toxic substances); 21 C.F.R. s 202.1 (2008) (disclosing in prescription drug advertisements); 29 C.F.R. s 1910.1200 (2012) (posting notification of workplace hazards).

²²⁰ *Commonwealth Brands, Inc. v. United States*, 678 F. Supp. 2d 512, 525–26, 534–35, 541 (W.D. Ky. 2010).

²²¹ *Disc. Tobacco & Lottery v. United States*, 674 F.3d 509, 526–27 (6th Cir. 2012).

²²² FSPTCA, *supra* note 13.

²²³ *Disc. Tobacco*, 674 F.3d at 522–23.

²²⁴ *See* *Cent. Hudson Gas & Elec. Corp. v. Pub. Serv. Comm'n*, 447 U.S. 557, 566 (1980) (reaffirming both that commercial speech enjoys First Amendment protection and that the Constitution grants a lesser degree of protection to commercial speech than to other forms of expression). The threshold question of the *Central Hudson* test is whether the expression falls within that protected by the First Amendment. *Id.* Only commercial speech that concerns lawful activity and is not misleading enjoys First Amendment protection; speech related to illegal activity or "more likely to deceive the public than to inform it" does not. *Id.* at 563. If commercial speech enjoys First Amendment protection, only a substantial government interest will justify a restriction, so the second part of the *Central Hudson* test asks whether the government interest asserted is "substantial." *Id.* at 566. If the first two questions are answered affirmatively, a commercial speech regulation will be upheld, the Court said, if it directly advances the asserted government interest and is no more extensive than necessary to achieve that interest. *Id.*

²²⁵ FSPTCA, *supra* note 13, § 2.

²²⁶ *Id.* § 2(31).

[N]arrowly tailored to restrict those advertising and promotional practices which are most likely to be seen or heard by youth and most likely to entice them into tobacco use, while affording tobacco manufacturers and sellers ample opportunity to convey information about their products to adult consumers.²²⁷

Commercial speech rendered false or misleading by the use of photographs, illustrations, logos, color, or sound effects would receive no First Amendment protection under the first prong of *Central Hudson*.²²⁸ Under the second, third, and fourth prongs, however, Congress could permissibly address a substantial public health interest in restraining tobacco use by a particular group, in this case, youth tobacco use, by banning the types of color, pictorial, audio, or audio-visual tobacco advertisements to which youths were demonstrably susceptible.²²⁹ However, the effect of, for example, the blanket tombstone advertising format, which may be described as the closest analogue to plain packaging required by the FSPTCA, was far-reaching and encompassed even non-misleading color, pictorial, audio, or audio-visual tobacco advertisements and banned even those designed to appeal to adults.²³⁰ One might observe that such tombstone advertising and labeling formats required under the law would likely fail the *Central Hudson* test due to insufficient tailoring.²³¹

Applying the above reasoning to plain packaging, the outcome would likely be similar. Smoking is legal, so under the first step of a *Central Hudson* analysis, tobacco companies' commercial speech is protected under the First Amendment, provided that it is not false or misleading.²³² The second *Central Hudson* step may be satisfied if the government asserts a public health interest in preventing tobacco use that the Supreme Court declared "substantial, and even compelling" in *Lorillard Tobacco Co. v. Reilly*.²³³ The constitutionality of restrictions arising from plain packaging, e.g., marketing restrictions, may therefore hinge on the third and fourth *Central Hudson* steps: whether the restriction will alleviate real harm to a material

²²⁷ *supra* note 13, § 2(32). The scope of FDA authority to regulate tobacco under the FSPTCA is severely circumscribed compared to the agency's authority to regulate other products under the Food, Drug, and Cosmetic Act, reflecting the influence of the tobacco industry on the legislation, as James O'Reilly has explained. JAMES O'REILLY, FOOD & DRUG ADMINISTRATION § 29 (West, 3d ed. Supp. 2007).

²²⁸ *Central Hudson*, 447 U.S. at 566.

²²⁹ *Id.*; *In re Tobacco Cases I*, 111 Cal. Rptr. 3d 313, 318–19 (Cal. Ct. App. 2010) (holding that the images in the tobacco advertisement, even though they were not hand drawn, were "cartoons" under the master settlement's definition, and thus prohibited); *People ex rel. Lockyer v. R.J. Reynolds Tobacco Co.*, 11 Cal. Rptr. 3d 317, 327–28 (Cal. Ct. App. 2004) (holding that the cigarette company violated the master settlement agreement by willfully ignoring that its advertisements reached youths at the same level as that of young adults).

²³⁰ *See Lorillard Tobacco Co. v. Reilly*, 533 U.S. 525, 563 (2001) (holding that certain FDA regulations violated the narrow tailoring prong because they failed to target "particular advertising and promotion practices that appeal to youth . . . while permitting others").

²³¹ *Disc. Tobacco City & Lottery, Inc. v. United States*, 674 F.3d. 509, 529 (6th Cir. 2012).

²³² *Central Hudson*, 447 U.S. at 566.

²³³ *Lorillard*, 533 U.S. at 564.

degree,²³⁴ and whether Congress narrowly tailored the restriction to achieve the asserted health objective.²³⁵

One important inquiry into plain packaging legislation is the degree to which it *in fact restricts* marketing, i.e., advertising and promotional speech practices.²³⁶ This begs an inquiry into two facets—one practical and one analytical. In relation to the former, Australia can be viewed as a “test-case” in providing some indication about the scope of restriction. A determination such as this would be of primary relevance in defining an appropriate level of compensation, i.e., “just compensation,” in a claim under the Fifth Amendment.²³⁷ As stated above, however, there may be sufficient scope to argue that the “purposive elements” of “justice and fairness” may not ever truly justify economic injuries.²³⁸ In this sense, what truly amounts to “just compensation” in the context of plain packaging legislation remains moot. Further, it may be observed that invoking the Fifth Amendment may strengthen an argument seeking to establish a breach, either partially or wholly, of the First Amendment. The rationale for this boils down to the cause, or need, for “just compensation” in lieu of establishing an exception to the contrary, and, in this regard, the requisite nexus between deprivation, i.e., encumbrance over or taking, of private property and deprivation of commercial speech.²³⁹

Such an inquiry may require an analysis of a question framed earlier in this paper: the scope of “use . . . in the course of trade” under TRIPS Article 20. This would require a legislature to carefully frame such legislation to distinguish between use or a restriction or “taking” of a mark, i.e., an encumbrance over a property right, in the course of trade, or an encumbrance affecting marketing and the underlying product in the course of trade.

Even if plain packaging legislation impacts the First Amendment rights of manufacturers and retailers to convey, and of consumers to receive, truthful information about legal products, it may do so only to the extent necessary to achieve the government’s demonstrated interest. Not even a compelling interest in preventing tobacco use to protect the public health would be able to justify tobacco advertising and labeling restrictions so broad that they nearly foreclose tobacco companies’ ability to derive benefit from marketing campaigns, if plain packaging in fact warrants this.

This view presents an argument placing a nail in the coffin for a constitutionally valid plain packaging legislation in the United States—for now at least. If Congress did consider introducing such a statute, it would be wise to undertake the requisite calculus demanded by the First Amendment.

²³⁴ *Disc. Tobacco*, 674 F.3d at 535.

²³⁵ *Cent. Hudson Gas & Elec. Corp. v. Pub. Serv. Comm’n*, 447 U.S. 557, 566 (1980).

²³⁶ See Alberto Alemanno, *Out of Sight, Out of Mind*, 18 COLUM. J. EUR. L. 197, 231–32 (2012).

²³⁷ See generally *supra* Part III.C.

²³⁸ *Id.*

²³⁹ Davison, *supra* note 20, at 21.

SUMMARY AND CONCLUDING COMMENTS

Thus far, most doctrinal contributions on the subject of tobacco plain packaging have concentrated on the interaction between tobacco control and trade, and the nexus between tobacco control and investment treaty guarantees. Little, however, has been written on the interplay between public-right and private property right recognition under constitutional mandates and on the nexus with international treaties. This article has examined the approaches to plain packaging legislation in two distinct, but relatively active, jurisdictions with respect to the role of health policy as a public-oriented right: Australia and the United States through the medium of constitutional and international mandates. In particular, this paper has identified conceded arguments, both on normative and legal premises, to adequately challenge and reinforce the validity of certain legislation introducing plain packaging laws.

Further, this paper highlighted the interplay between constitutional provisions, normative arguments with respect to the trademark regime, and certain articles in the TRIPS Agreement. Therein, some common challenges remain at issue. For instance, inherent within the object of trademark protection is a dichotomy between property rights considerations and other external values such as free speech, competition, and public health. This dichotomy is played out in determining whether tobacco plain packaging legislation is constitutionally valid and simultaneously compliant with international obligations under the TRIPS Agreement and Paris Convention. This paper identified the normative facets of property rights in the trademark regime and suggested that the position taken by Australia, and the WTO recently, indicates a trend toward recognition of property rights in trademarks in the context of tobacco plain packaging laws. This development is consistent with the traditional purpose of trademark law—to improve the quality of information in the marketplace.

At the same time, it is submitted that future interpretation of the TRIPS Agreement, Paris Convention, and constitutional provisions should proceed along a purposive approach as identified in this paper, which requires an understanding of the respective objectives and normative themes. The importance of understanding the normative perspectives of trademark rights is reflected in the normative perspective's ability to articulate the meaning of "use" of proprietary rights for the purposes of Articles 6 *quinquies*, 7, 8, and 20 of the TRIPS Agreement and its ability to answer whether plain packaging legislation amounts to a "taking" or an "acquisition" of property rights contrary to Constitutional mandates. If so, it must also address whether such a "taking" or "acquisition" is justified on the basis of "just terms" or being "fair and equitable." Again, the nature of the property, including rights, and its source, have been identified as factors for this determination. As this paper highlights, the nature of the property, i.e., right or interest, is to be construed as separate to the "good" to which that right may attach.

It is also submitted that such a purposive approach may provide a greater ability to identify the emphasis to be placed on public rights. With respect to the "nature" of property rights, the High Court alluded to an important distinction between Australia and approaches taken in other countries, including the United States. It was identified that while intellectual property laws *create* property rights, the scope of these rights may be dependent upon whether the rights are recognized

as being “instrumental” in character—the recognition of which differs from jurisdiction to jurisdiction.²⁴⁰ An understanding of the scope of being “instrumental in character,” therefore, is central to understanding the relevance of constitutional mandates for the purposes of determining the constitutional validity of plain packaging legislation.²⁴¹ It was identified that such rights are, in Australia at least, based on their instrumental character, inherently susceptible to variation, and therefore outside the ambit of section 51(xxxi). Rather, there are, and always have been, “purposive elements” reflecting public policy considerations that inform the statutory creation of intellectual property rights.²⁴² This is unlike the position in the United States, where such purposive elements in determining the scope of property are subordinate to the relative requirements of, for example, the underlying objectives of the First and Fifth Amendments. In the event that the United States seeks to introduce plain packaging legislation, and on the assumption that a “taking of property” for the purposes of the Fifth Amendment *could* be established, there may exist sufficient scope to argue that the purposive elements of “justice and fairness” may not ever truly justify economic injuries.²⁴³

Similarly, this paper identified the importance of understanding that the right’s “instrumental character” exists in the context of its correlation with establishing an “encumbrance” for the purpose of TRIPS Article 20. Even then, only “the use of a trademark in the course of trade” is relevant for the purposes of assessing the legality of an “encumbrance by special requirements” under Article 20.²⁴⁴ Yet there are many grounds to argue that plain packing legislation exists outside the course of trade.²⁴⁵ The High Court’s rejection to characterizing the TPPA as a “law of trade regulation,” placing it outside the application of section 51(xxxi), albeit in the context of *acquisition* of property, implicitly supports this view.²⁴⁶ If this were the case, then WTO Members would have an unhindered right to encumber trademarks outside the course of trade.²⁴⁷ In short, the encumbrances on word trademarks *in the course of* trade that are imposed by plain packaging legislation are relatively small, but have the effect of assisting to achieve health objectives outside the course of trade.²⁴⁸

Nevertheless, this paper highlighted the scope of conceded arguments that purport to challenge plain packaging under the TRIPS Agreement and the Paris Convention. It remains doubtful that plain packaging legislation could be invalidated, either wholly or partially, under international treaties.²⁴⁹ This paper notes the importance of articulating the role of health policy, i.e., broader public-rights, when seeking to “restrict,” impede, or encumber private-rights—although it recommends that this be undertaken in the context of a purposive approach. It is

²⁴⁰ JT Int’l SA v Commonwealth (Cth) (2012) HCA 43, ¶¶ 28–30 (Austl.); *see also* DRAHOS, *supra* note 161, at 220.

²⁴¹ JT Int’l SA v Commonwealth (Cth) (2012) HCA 43, ¶ 30 (Austl.).

²⁴² *Id.*

²⁴³ Penn Cent. Transp. Co. v. New York City, 438 U.S. 104, 124 (1978).

²⁴⁴ Davison, *supra* note 57, at 10–11.

²⁴⁵ *Id.* at 21.

²⁴⁶ Trade Practices Comm’n v Tooth & Co. Ltd (1979) 142 CLR 397, 428 (Austl.).

²⁴⁷ Davison, *supra* note 57, at 21.

²⁴⁸ *Id.*

²⁴⁹ Davison, *supra* note 57, at 2.

recognized that governments tend to maintain a certain level of discretion in their ability to “modify,” “impede,” or, to a degree, “create” certain “rights” and/or obligations in legislation. However, such discretion must be qualified against certain constitutional rights and requirements, not to mention core objectives of a particular legal regime. One point that remains unsettled, however, is whether striking a balance between private-rights and public-rights from an international perspective, to procure the “spirit” of the TRIPS and from a domestic perspective to align with Constitutional mandates, is achievable any time soon.

Governments or States seeking to introduce, challenge, or invoke the potential invalidity of plain packaging legislation should first consider the merits of the arguments identified in this paper. The arguments presented would also be relevant to legislators seeking to introduce laws governing plain packaging in other heavily regulated industries, such as the fast food and alcohol industries. It is likely that intellectual property holders within these markets will be watching developments with close interest. Whether the United States and the European Union will follow the lead of Australia within the current legislative climate is open to doubt, but this does not invalidate Australia’s action nor necessarily require that the tobacco companies could or should triumph. For now, we must conclude that establishing a case successfully challenging the validity of plain packaging on domestic and international fora could be as difficult as changing tobacco policies in the first place.