

Alan Bennett, Adj. Professor of Law Sydney University

0438235581

on

Plain Tobacco Packaging (Removing Branding from Cigarette Packs) Bill 2009

Submission expressing *concern* about:

"A Bill for an Act to amend product information standards to remove brands, trade marks and logos from tobacco packaging, and for related purposes".

Plain Tobacco Packaging– Removing Branding from Cigarette Packs

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2 Executive Summary

This document commences by examining the relevant particulars of the *Plain Tobacco Packaging (Removing Branding from Cigarette Packs) Bill 2009* ("the Bill").

In examining the details of Schedule 1 and in particular Schedule 2 of the Bill it is evident that the restrictions and mandatory requirements contained therein (for example: mandatory font size; mandatory form and manner requirements; mandatory

colour requirements; typographical size) will materially impact on Australia's existing trade mark, copyright and design laws. More specifically, the Bill has the effect of prescribing what may or may not be on cigarette packaging. Accordingly, it has the effect of limiting and in some cases preventing the proper usage of trade marks, copyright and designs.

These three areas of Australian law are examined, highlighting how the Bill adversely impacts on each of them.

The Bill also adversely impacts on a range of Australia's international obligations. A number of Agreements/Treaties/Conventions have been selected to illustrate the very awkward position which the Australian government would find itself in internationally should the Bill proceed. In particular, the Bill is contrary to the provisions of the World Trade Organisation's Agreement on Trade Related Aspects of Intellectual Property Rights (TRIPS).

Australia's obligations under Chapter 17 of the Australia/US Free Trade Agreement are also significantly jeopardised because of the restrictions within the Bill adversely affecting intellectual property right owners' ability to legally use those rights.

Most of Australia's intellectual property commitments in its other Free Trade Agreements are similarly adversely affected by the Bill.

Finally, the Bill has the effect of creating two classes of intellectual property right holders within Australia, namely those who may use their intellectual property rights and those who may not.

This dual- class system will have a dramatic adverse impact on Australian trade mark, copyright and design laws and Australia's international obligations. The rights of domestic and overseas registered owners and users under each of these areas of Australian law will be materially disadvantaged.

The conclusion is that the Bill, if passed, would present to the Australian government a miscellany of legal problems both domestically and internationally.

3 Background Information

This report has been commissioned by Philip Morris Ltd.

The National Preventative Health Taskforce ("NPHT") released its discussion paper '*Australia: The Healthiest Country by 2020*' in October 2008. This paper was accompanied by a number of technical reports including Report Number 2 prepared by the Tobacco Working Group '*Tobacco Control in Australia: making smoking history*'.

NPHPT proposed a range of regulatory and non-regulatory measures that it hopes will further reduce smoking prevalence in Australia. In its final report to Government in June 2009, NHPT included in the recommendations a proposal for "plain packaging".

Shortly thereafter, Senator Fielding introduced a private member's Bill into the Senate on 20 August 2009. The name of the Bill is the: *Plain Tobacco Packaging (Removing Branding from Cigarette Packs) Bill 2009*.

4 Details of the Bill

Clauses 1 & 2 of the Bill provide for its short title and proposed commencement date respectively.

4.1 Object of Bill

Clause 3 provides the "object" of the Bill namely:

".....to regulate tobacco packaging, in order to:

- (a) reduce initiation of tobacco use, tobacco consumption and quitting relapse;
- (b) enhance the effectiveness of package warnings; and
- (c) remove the package's ability to mislead and deceive consumers".

Some context is provided to the threefold object of the Bill by the prefacing words to Clause 3:

"..... Noting

the tobacco industry's use of colour, novelty packaging and other imagery enables it to target particular segments and convey brand character; and

that colour and imagery are also used to misleadingly convey relative brand strength and quality;

the object of this Act is to regulate tobacco packaging...."

4.2 Construction of Bill

Clause 4 of the Bill provides for the consequential amendment of the measures specified in the two Schedules of the Bill. It is these two Schedules which will cause embarrassment for the Australian government and materially disadvantage Australian and overseas intellectual property right owners.

Schedule 1 Variation/Amendment- to Trade Practices Act

Schedule 1 of the Bill seeks to insert a new Section 65 DA into Division 1A of Part V of the Trade Practices Act 1974 ("TPA") which provides:

"65 DA- Regulations made for the purposes of subsection 65D(2) in respect of tobacco and tobacco products manufactured in Australia or imported into Australia may prescribe matters relating to the colour, design, size and shape of tobacco packaging in order to reduce the distinctiveness of packaging and emphasise consumer product information."

Section 65D of the TPA deals with "product information standards" and relevantly prohibits a corporation in trade or commerce from supplying goods that are:

"intended to be used, or are of a kind likely to be used, by a consumer, being goods of a kind in respect of which a consumer product information standard has been prescribed, unless the corporation has complied with that standard in relation to those goods....."

Subsection 65D(2) of the TPA provides for regulations to prescribe consumer product information standards for specified goods in respect of:

"(a) the disclosure of information relating to the performance, composition, contents, methods of manufacture or processing, design, construction, finish or packaging of the goods; and

(b) the form and manner in which that information is to be disclosed on or with the goods;

as are reasonably necessary to give persons using the goods information as to the quantity, quality, nature or value of the goods."

Schedule 2 - Variation/Amendment-to Regulations

Schedule 2 of the Bill proposes amendments of the Trade Practices (Consumer Product Information Standards) (Tobacco) Regulations 2004 ("the Regulations").

The Bill proposes a new Part 5 to the Regulations specifying "additional requirements" for all retail packages of cigarettes and all individual packages in which cigarettes are sold in Australia after a given date.

New Sub-Regulation 55(1) proposes that except for pre-requisite explanatory messages, information messages or warning messages, cigarette packaging must be matt brown without illustration, decoration or other decorative "irregularities".

New Sub-Regulations 55(2) & (3) jointly propose that affected cigarette packages must not contain any words, trade marks or logos other than the "brand name of the product"; quantity or weight of tobacco enclosed; and, contact details of the

manufacturer/importer. The colour of text and typeface for the mandatory markings are also specified.

5 Summary of Problems Arising from Schedules 1 and 2 of the Bill

The prefacing words to proposed Sub-Regulation 55(3) contained within Schedule 2 of the Bill relevantly provide:

"The remaining package area must not contain any words, trademarks or logos other than the following information :(...)".

Having reviewed "the following information" permitted on cigarette packaging, it may be concluded that the main problem with the Bill is that it represents a proposed Australian statutory prohibition against the commercial exploitation by Australian and overseas corporations of otherwise available intellectual property rights. The rights affected include those arising from Australia's trade mark, copyright and design law.

Any such prohibition has serious ramifications. On the one hand, one sector of Australian industry will suffer the loss of a material component of its intellectual property rights. On the other hand, Australia will be internationally embarrassed because of its breaches of a wide range of its existing bilateral and multilateral Agreements (some of which have only recently been negotiated). Agreements currently being negotiated will also have to be modified.

Furthermore, particular attention is to be paid to Schedule 1, as it proposes to "prescribe matters relating to the colour, design, size and shape of tobacco packaging in order to reduce the distinctiveness of packaging". This poses a serious threat to the very concept of a trade mark. In fact, distinctiveness is at the very essence of trade marks, since trade marks have the function of distinguishing goods of one undertaking from those of another one, in order to allow differentiation and to avoid the risk of confusion for consumers. In this sense, this function of distinctiveness is relevant for the trade mark owner, but also from a consumer perspective. The Bill seems to ignore this very principle of trade mark law.

It follows that, if, as mandated by Schedule 2, "the remaining package area must not contain any words, trade marks, or logos other than the following information: (...)", the consequence would be lack of distinctiveness of pack labels, confusion among consumers and the questioning of the relevance of trade mark law in general. If differentiation could be achieved through "information", trade mark law would in general be deprived of its *raison d'être*.

6 The Framework of Australia's Intellectual Property Law - Background to Australian Law Affected by the Bill

Different countries have different rules for the protection of intellectual property. These differences reflect different vested interests, government policies and economic

philosophies. A complete lack of intellectual property protection would be a disincentive to innovation under principles of public good analysis.

Australia's treatment of intellectual (or industrial) property provides protection of intangible property created by various intellectual processes. This intellectual property is created by Australian law in recognised forms that have been legally allocated the status of "choses in action" (that is, intellectual property is intangible and has a non-material personality).

The intrinsic philosophy and policy affecting intellectual property rights by Australian lawmakers has traditionally been the notion that intellectual property rights are original to their author or creator, and that such original creativity and innovation should be promoted and protected.

The current Australian law affecting intellectual property rights has evolved over a very long period of time and is mainly found in Commonwealth statutory form. That is, Commonwealth statutes regulate each of the classes of intellectual property although on some occasions there is some reliance on general law remedies for example, in the tort of "passing off".

Each piece of Australian legislation dealing with a different area of intellectual property confers certain monopoly rights upon the owner of the property concerned subject to certain limits for example, the duration of monopoly rights.

The various Australian laws dealing with each aspect of intellectual property reflect the evolution of government policies over many years. The current Australian intellectual property laws reflect a delicately balanced philosophical, commercial and internationally agreed position. On the one hand the various laws encourage people to produce intellectual property of community benefit by protecting property rights which can then be exploited by the creator. On the other hand the current laws recognise the need to permit the community the right to use the property.

Australia's intellectual property laws have not evolved in isolation. Australia has long been a signatory to a range of international multilateral and bilateral conventions, treaties and agreements on intellectual property. The various Australian government philosophies and policies underpinning Australia's current intellectual property laws were developed having regard to Australia's rights and obligations under these international arrangements. One illustration of this point is that the creator of certain intellectual property rights in Australia has corresponding rights and protection in other Convention member countries (and importantly, vice versa).

It is submitted that Australia's current intellectual property laws and the deliberate and delicate balance of rights established by those laws and international agreements should not be undermined by adoption of the Bill.

The Australian government acknowledges that copyright confers on copyright owners economic rights which "promote creativity and innovation".¹

Australia's copyright laws over recent years have seen major reforms undertaken with the view of strengthening the level of protection. The effect of these changes is to "give copyright owners greater control over the distribution and use of their material"².

The rights conferred on Australian Copyright owners are outlined in the Copyright Act as follows:

Section 31 of Australia's Copyright Act 1968 provides Australia's position concerning the "nature of copyright in original works". That is, copyright under Australian law confers the following rights:

"(a) in the case of a literary, dramatic or musical work, to do all or any of the following acts:

(i) to reproduce the work in a material form;

(ii) to publish the work;

(iii) to perform the work in public;

(iv) to communicate the work to the public;

...

(vii) to do in relation to the work that is an adaption of the first-mentioned work, any of the acts specified in relation to the first-mentioned work in subparagraphs (i) to (iv),";

The term "literary work" used within this above provision includes almost all text-based material.

"(b) in the case of an artistic work, to do all or any of the following acts:

(i) to reproduce the work in a material form;

(ii) to publish the work;

(iii) to communicate the work to the public....."

¹ See Explanatory Memorandum to Copyright Amendment Bill 2006 ("EM"), page 4. That EM relevantly provides that "Copyright enables creators to profit from their work" (id page 5).

² See EM page 5.

The term "artistic work" used within this provision typically includes paintings, sculptures, drawings, engravings, photographs, buildings, models of buildings, and works of artistic craftsmanship.

It is apparent therefore that a cigarette package will usually have on it copyrighted material in literary and/or artistic form.

Section 35 of Australia's Copyright Act 1968 provides the law concerning ownership of copyright which effectively confers the rights explained above on "the author of a literary, dramatic, musical or artistic work".

In summary, the owner of copyright pursuant to Section 35 has the rights conferred by Section 31 of the Copyright Act 1968. The effect of the Bill would be to extinguish, modify, or alter the owner's rights pursuant to this Act..

The Bill proposes to introduce a statute reducing copyright owner's rights and achieves this by prohibiting certain markings on cigarette packaging and prescribing the only permissible ones. However, it is evident from the above quotations that such an approach would represent the antithesis of the development of Australia's copyright law. As mentioned above, the underlying philosophy of copyright law in Australia is to promote creativity and innovation and this is achieved by providing exclusive economic rights to copyright owners to control certain uses of their works.

On the other hand, copyright law also seeks to promote the social benefits derived from a free flow of knowledge and expression. Hence, most copyright systems around the world (including the Australian system) include exceptions and limitations on the rights of copyright holders. Such an "exception" could constitute a full exemption permitting copyright material to be used without authority or compensation. This is in contrast to a "statutory licence" which is a partial exemption allowing another person to use copyrighted material on the proviso that there is a payment of a set fee or royalty to the copyright holder.

Decisions on the nature and scope of exceptions reflect varying assessments of public and private interests by national legislatures and hence vary greatly between countries and are subject to treaty obligations as discussed below. There are a number of these exceptions in the Australian Copyright Act, such as fair dealings and uses by educational institutions, persons with disabilities, libraries, archives and governments.

While exceptions are important policy instruments their scope is restricted by international agreements, to which Australia is a party. This means that Australia is obliged to only provide exceptions that comply with a "three-step test", namely: to be confined to certain special cases; which do not conflict with the normal exploitation of the work; and which do not unreasonably prejudice the legitimate interests of the right holder.

The Bill has the effect of extinguishing copyright owners' rights without complying with the "three-step-test" because in particular it would disproportionately prejudice the economic and personal interests of copyright owners³. In that sense, the Bill may not on any fair reading be described as an "exception" in the international law sense of the term.

In sum, the Bill seeks to control and prescribe the colour of text and *typeface* for what is permitted on cigarette packaging. The Bill specifically excludes various classes/categories of "works" of a literary or "artistic" nature (like font size, logos etc). This constitutes a denial to one sector of Australian industry (and overseas suppliers) of the rights which otherwise accrue pursuant to Australia's Copyright Act (1968) (Cth.) and violates Australia's international commitments, as described in more detail in section 10.

8 Bill's Effect on Australian Trade Mark Law

Section 17 of Australia's Trade Marks Act provides that

"a trade mark is a sign used or intended to be used, to distinguish goods or services so dealt with or provided in the course of trade by a person from goods or services so dealt with or provided by any other person."

Section 6 of the Trade Marks Act provides that a sign includes:

"... the following or any combination of the following namely, any letter, word, name, signature, numeral, device, brand, heading, label, ticket, aspect of packaging, shape, colour, sound or scent"

It is apparent from these provisions that the understanding of a trade mark in recent years has evolved so that a trade mark can now consist of a "shape, colour, sound or scent". That is, a trade mark is now not just the more traditional two-dimensional mark. So, for example, the shape or colour of a cigarette manufacturers' brand-name could be a trade mark.

It should also be noted for completeness that protection obtained by registration under the Trade Marks Act and copyright protection may co-exist in the case of a trade mark

³ See Issues Paper Fair Use and Other Copyright Exceptions, May 2005, page 11. 'Under this test, exceptions and limitations to the rights of copyright owners must be confined: □ to certain special cases, □ which do not conflict with a normal exploitation of the work, and □ do not unreasonably prejudice the legitimate interests of the right holder. 4.7 Proposals for new exceptions, or changes to existing exceptions, in the Copyright Act must be consistent with the above three-step test. Interpretation of this test has been closely considered in a decision under the WTO DSS. Before any exception can be introduced or extended, consideration must be given to: whether the exception is clearly defined and narrow in scope and reach, whether it will conflict with existing or potential new uses of copyright material, or whether the exception would cause disproportionate prejudice the economic and personal interests of copyright owners.'

which is capable of attracting copyright.⁴ For example, copyright could subsist in a stylised letter of the alphabet, within a word which was a trade mark.

Based on these provisions, organisations carrying on a business within Australia involving the sale of goods may use a distinctive identification mark in relation to the selling of those goods. Such a mark, particularly over a period of time, is often a key element in the development and maintenance of the goodwill associated with that business. Such trade marks or "brand names" (as they are often called) are often very valuable.

Section 17 of the Australian Trade Marks Act also makes it clear that the trade mark (or sign) used or intended to be used distinguishes those goods provided by a person in trade from those provided by another person. The owner of a trade mark acquires the exclusive rights to use the mark and to authorise other persons to use it, by registering the trade mark⁵. The registered owner has the right to obtain relief under the Act if the trade mark is infringed.

In the context of any review of the Bill it is critical to note that the trade mark must be used or be intended for use. The Bill prevents usage of some Tobacco companies' trade marks on cigarette packaging. Such a limitation is inconsistent with Australia's Trade Mark Act. The Bill also adversely impacts on trade mark owners in overseas jurisdictions by materially altering their rights in Australia and those conferred by international law (as developed in Section 10 below).

Finally, if a trade mark owner is unable to use its trade mark by virtue of a statutory prohibition (as envisaged by the Bill) there will be a devaluation of that trade mark.

9 Bill's effect on Australian Design Law

Registered designs entered into the Register of Designs are protected and governed in Australia by the Designs Act 2003 (Cth.).

Section 5 of the Designs Act provides that a "design" means "... the overall appearance of the product resulting from one or more visual features of the product."

"Product" is defined at Section 6 as generally a "thing which is manufactured or handmade."

"Visual feature" is defined at Section 7 in relation to a product as including "...the shape, configuration, pattern and ornamentation of the product." A visual feature may, but need not serve a functional purpose.

⁴ *Roland Corp v Lorenzo & Sons* (1991) 105 ALR 623.

⁵ It is also noted that so-called "common-law" trademarks also exist independently of those that may be registered.

The above definitions from the Designs Act taken together mean that a design is the fundamental form of the manufactured article. That is, the design does not consist of the article itself but rather its appearance. So a design is itself an intellectual or aesthetic concept not a material thing although it must necessarily be expressed in a material form.

Once the design is registered under the Designs Act, monopoly rights are conferred on the registered owner during the period of registration. These include the various rights conferred by subsection 10(1) of the Designs Act including the right to make or offer to make a product in relation to which the design is registered which embodies the design. Other rights include the right to import such a product into Australia for sale, the right to sell such products, and, the right to use it in any way for the purposes of the trade or business; etc.

The above rights are personal property capable of assignment.

Proposed Sub-Regulations 55(2) & (3) in Schedule 2 of the Bill jointly propose that affected cigarette packages must not contain any words, trade marks or logos other than the "brand name of the product"; quantity or weight of tobacco enclosed; and, contact details of the manufacturer/importer. The colour of text and typeface for these markings are also specified and made mandatory. In particular, proposed Sub-Regulation 55(1) provides that except for pre-requisite explanatory messages, information messages or warning messages, cigarette packaging must be matt brown without illustration, decoration, and must not bear any decorative ridges, embossing bulges or other decorative "irregularities".

This proposed legislation "steamrollers" the monopoly rights conferred by the Australian Design Act by disallowing their use. The Bill prescribes a "new design" and proscribes the legitimate use of any registered design. Hence the Bill is inconsistent with Australia's Designs Act.

10 Framework of Australia's International Intellectual Property Obligations

Australia is a party to a large number of international multilateral and bilateral Agreements that protect intellectual property. Moreover, IP Australia has concluded with IP Offices in other countries a range of agreements impacting on the administration of intellectual property rights in Australia and overseas.

The principal problem is that the Bill apparently fails to have regard to substantial obligations and responsibilities which Australia has internationally agreed upon over more than eighty years concerning the regulation and administration of intellectual property.

The following information provides an overview of *some* of Australia's obligations pursuant to its diverse international agreements regarding intellectual property and comments on the breaches of these Agreements if the Bill becomes Australian law.

10.1 Paris Convention for the Protection of Industrial Property

The Bill prohibits the use and monopoly rights otherwise conferred on tobacco manufacturers by Australian intellectual property law. Australian and overseas right owners are adversely affected. The Bill is therefore in breach of the Paris Convention.

The Paris Convention is concerned with the protection of industrial property, which includes patents, industrial designs and trade marks, and with the repression of unfair competition.

This Convention provides that where a mark has been duly registered in the country of origin, it must, on request, be accepted for filing and *protected* in its original form in the other contracting states.

Australia has been a Party to the Paris Convention since October 1925. That is, for eighty five years Australia has developed its domestic Intellectual Property law within the framework of the Paris Convention.

The underlying philosophy of the Paris Convention is the mutual protection between the signatories of specified intellectual property rights. An essential element of this protection is the commercial/legal right of the registrant to use/exploit the relevant intellectual property. So for example, Article 7 of the Paris Convention provides that:

"The nature of the goods to which a trademark is to be applied shall in no case form an obstacle to the registration of the mark."

Once a trade mark has been registered it is apparent from the discussion above on Australia's law that the registrant obtains certain statutory monopoly rights including the right to use the mark. So registration and usage are directly linked.

By extinguishing IP rights for certain right holders, the Bill is therefore inconsistent with Article 7 of this Convention

This point is supported by a review of Article 6 quinquies of the Paris Convention which relevantly provides that trade marks registered in any state which is a Contracting Party to the convention cannot be denied registration or invalidated except in 3 narrowly defined circumstances:

- (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;

- (iv) when they are contrary to morality or public order and, in particular, of such a nature as to deceive the public. It is understood that a mark may not be considered contrary to public order for the sole reason that it does not conform to a provision of the legislation on marks, except if such provision itself relates to public order.

The Bill in prohibiting the use of a trade mark in Australia is unable to rely on any of these above specified circumstances. Nevertheless, the Bill suppresses legitimate usage of validly created intellectual property rights. It is therefore inconsistent with this provision of the Convention (which is all about protecting intellectual property rights other than for these three limited circumstances).

One eminent commentator (a former WIPO Director-General) has stated that the purpose of registration pursuant to Article 6 quinquies of the Paris Convention is to:

"serve the legitimate interests of the right-holder to use a mark for the same goods and in the same way in different countries"⁶

It seems that the Bill is in clear breach of at least two important provisions of the Paris Convention which, as of 30 September 2009 enjoyed 173 members.

Should the Bill proceed, it will necessarily entail an enormous amount of explanation/renegotiation by Australia having regard to Article 22 of the Convention which requires Australia on ratification or accession to automatically accept all of the clauses of the Convention.

10.2 World Trade Organisation Agreement on Trade Related Aspects of Intellectual Property Rights ("TRIPS")

The TRIPS Agreement inter alia, provides minimum standards of Intellectual Property protection. It forms part of the WTO Agreement and all WTO members are parties to it.

Australia became a member of TRIPS on 1 January 1995 when it first came into force. As of March 2010 there were 153 members of the World Trade Organisation.

The object and purpose of the TRIPS Agreement is to promote effective and adequate protection of intellectual property rights⁷ It covers each of the areas of intellectual

⁶ GHC Bodenhausen, *Pariser Verbandsubereinkunft zum Schutz des Gewerblichen Eigentums* (Cologne 1971), page 13.

⁷ See *Appellate Body Report on India-Patents (US)*, Paragraph 57.

property law affected by the Bill, namely Trade Mark, Industrial Design and Copyright.

Article 2 of TRIPS incorporates all the substantive provisions of the Paris Convention (and hence Article 6 quinquies & Article 7 referred to above). For confirmation of this point, see the Appellate decision in the case: *US-Section 211 Appropriations Act* which reversed the Panels initial decision which read down Article 2. The conclusion from this observation is that just as the Bill breaches the Paris Convention in respect of the two issues discussed above, so also it immediately breaches the TRIPS Agreement because of these same two issues, as they have been incorporated into the TRIPS Agreement.

Article 17 of the TRIPS Agreement is also particularly relevant in reviewing the inappropriateness of the Bill from an international law perspective. Article 17 relevantly provides:

"members may provide limited exceptions to the rights conferred by trade-marks, such as fair use of descriptive terms, provided that such exceptions take account of the legitimate interests of the owner of the trade-mark and of third parties."

Article 17 is modelled on Article 9(2) of the Berne Agreement, which also served as a model for two other exception clauses in the TRIPS Agreement (namely Articles 13, and 26.2) dealing with copyright and design respectively.

Article 13 concerning copyright provides:

"Members shall confine limitations or exceptions to exclusive rights to certain special cases which do not conflict with a normal exploitation of the work and do not unreasonably prejudice the legitimate interests of the right holder".

Article 26 (2) concerning design provides:

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

Schedule 2 of the Bill disallows the otherwise legitimate usage of registered trade marks, copyrights and/or designs. Any fair reading of what constitutes an allowable exception within Articles 13, 17 and 26 (2) is inconsistent with the prohibitions imposed by the Bill. The effect of the prohibitions within the Bill unreasonably prejudices the legitimate interests of the right holder in each of these three categories of intellectual property law. Hence the Bill cannot be viewed as an allowable exception as that term is used within each of the three Articles.

The conclusion therefore is that, the Bill is not an allowable exception within Articles 13, 17 or 26 (2) and hence the attempts by the Bill to hinder the rights of the owners are inconsistent with the TRIPS Agreement.

The comments made above about the interpretation of Articles 13, 17 and 26.2 (and how the Bill is inconsistent with those provisions) is supported by the Panel decision in *EC-Protection of Trademarks and Geographical Indications for Agricultural Products and Foodstuffs, Panel decision, USA v EC, WTO document WT/DS 174R* which relevantly discussed the legitimate interests of trade mark holders:

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

It is apparent from Australian and international Law that there is an underlying assumption that the registered owner/user of intellectual property (be it trademark, copyright or design) has the rights to use and exploit those rights. This assumption permeates the international agreements.

Article 20 of the TRIPS Agreement relevantly provides:

"The use of a trademark in the course of trade shall not be unjustifiably encumbered by special requirements, such as use with another trademark, use in a special form or used in a manner detrimental to its capability to distinguish the goods or services of one undertaking from those of another undertaking...."

The question is whether the term "special requirements" appropriately describes the restrictions imposed by Schedule 2 of the Bill. If this is the case, then the Bill is in breach of Article 20.

The WTO Panel dispute in *Indonesia-autos* is the only case on the interpretation of the term "special requirements" within Article 20 and because of that case's unique circumstances it does not assist in the context of whether the Bill breaches Article 20. Nevertheless, it is clear that the restrictions imposed by the Bill do fall within that description. That is, the effect of the Bill is that cigarette manufacturers will be required to only use their trade mark in a special form (see Schedule 2 of the Bill). It is also clear that plain packaging would be detrimental to the capability of the trade mark to distinguish goods from one brand to another.

Finally, these encumbrances need to be "unjustifiable", in order to constitute a violation to Article. 20. Given the excessive impact that the Bill would have on trade marks, depriving them of their essential function, the measure is not justified.

Therefore, there appears to be an unjustifiable encumbrance of the right owner and hence a breach of Article 20 of the TRIPS Agreement.

Article 8 of the TRIPS Agreement provides some flexibility to WTO Members to adopt measures necessary to inter alia, protect public health. This provision however is qualified by the words "provided that such measures are consistent with the provisions of this Agreement."

The relevant part of Article 8.1 reads: "Members may, in formulating or amending their laws and regulations, adopt measures necessary to protect public health (...) provided that such measures are consistent with the provisions of this Agreement".

It is clear that the condition of the measure being consistent with the TRIPS Agreement is not fulfilled by the Bill, for the reasons stated above.

To assist members in interpreting Article 8 there has been published a "Text of the Declaration on the TRIPS Agreement and Public Health" which was adopted by the *Fourth Session of the WTO Ministerial Conference at Doha on 14 November 2001*. The opening paragraph of this Declaration makes it clear that the flexibility to adopt measures to protect public health relates to:

"... many developing and least-developed countries especially those resulting from HIV/AIDS, tuberculosis, malaria and other epidemics".

This Declaration was negotiated by WTO Member states in order to improve access to medicines to fight key diseases such as the ones mentioned above, and its objective is to allow for compulsory licensing of patented medicines. It is therefore clear that this Declaration is in no way relevant when analysing the compatibility of the Bill with the TRIPS Agreement.

In short, a review of the Declaration does not provide any evidence whatsoever which would assist any argument that the Bill has validity because of its reliance on Article 8. In other words, this Declaration cannot be used as the basis to suggest that a violation to Article 8 of the TRIPS Agreement would be permitted to fulfil the objectives of the Bill.

Furthermore, any measure must also comply with the "necessity" test of Article 8. The "necessity test" has been interpreted by the WTO Appellate Body in a number of cases concerning the GATT⁸. From this jurisprudence, it is evident that for a measure to be considered "necessary", it needs to fulfil a double-requirement: there has to be a causal link between that measure and a given objective, and there shouldn't be less trade restrictive measures available to fulfil that given objective. Given the lack of substantial evidence that "plain packaging" would in any way contribute to the achievement of Australia's public health objectives, the "necessity" test is not fulfilled either.

⁸ See, for example, EC-Measures Affecting Asbestos and Asbestos-containing Products (WT/DS/135/AB/R).

In summary, having regard to the context of Article 8 and its extrinsic material, it may be concluded that this provision may not be relied upon to support "plain packaging" for cigarettes.

Finally, the TRIPS Agreement at Part V provides for dispute settlement (see Article 64). The dispute settlement arrangements permit an affected WTO member to initiate proceedings in accordance with the *Understanding on Rules and Procedures Governing the Settlement of Disputes* found at Annex 2 of the WTO Agreement. It is submitted that the Bill, if approved, would draw applications from affected Members to constitute a WTO panel regarding the plain packaging matter.

10.3 Convention Establishing the World Intellectual Property Organization ("WIPO")

WIPO is an intergovernmental organisation whose two main objectives are to promote the protection of intellectual property throughout the world through cooperation among States and to ensure administrative cooperation among the Unions.

Australia has been a member of WIPO since August 1972 and was a member of its predecessor, the United International Bureau for the Protection of Intellectual Property (BIRPI).

Article 4 of WIPO sets out how WIPO seeks to obtain its objectives. Of particular relevance in this paper are the following four objectives specified in Article 4:

"(i)(...) shall promote the development of measures designed to facilitate the efficient protection of intellectual property throughout the world and to harmonise national legislation in this field."

(iv) shall encourage the conclusion of international agreements designed to promote the protection of intellectual property;.....

(vi) shall assemble and disseminate information concerning the protection of intellectual property, carry out and promote studies in this field, and publish the results of such studies;.... and,

(vii) shall maintain services facilitating the international protection of intellectual property and, where appropriate, provide for registration in this field and the publication of the data concerning the registrations;

It is evident from the above objectives that the WIPO Convention is intended to ensure appropriate and uniform protection for intellectual property rights worldwide.

The suppression/elimination of those affected intellectual property rights brought about by the Bill, and in particular Schedule 2 of that Bill, is the antithesis of what WIPO represents.

Article 16 of WIPO permits no reservations to the Convention. Should Australia proceed with the Bill it would be in breach of WIPO Convention.

10.4 Bilateral Treaties

Australia has concluded a substantial number of free trade agreements (FTAs)⁹ and bilateral investment treaties (BITs)¹⁰.

Furthermore, the Government is currently pursuing a number of regional trade initiatives with Japan, China, Korea, Malaysia India, Indonesia and the Gulf Cooperation Council.

Based on the provisions of the FTAs and BITs that it has agreed upon, Australia is obliged to protect and respect intellectual property. However, the Bill has the effect of breaching Australia's commitments and would trigger international responsibility, including in many cases the possibility for the affected investor to request arbitration against Australia.

10.4.1 Australia-US FTA

The Australia- USA FTA ("AUSFTA) is particularly relevant in order to illustrate with one concrete case the extent to which the Bill would violate Australia's international obligations to protect investment and intellectual property pursuant to its international agreements,

The AUSFTA commenced on 1 January 2005. Chapter 17 contains the commitments by Australia and the US on Intellectual Property rights. The Bill is in breach of a number of Australia's obligations contained within this Agreement because of its suppression of intellectual property rights. The following summary analysis demonstrates a number of specific provisions breached by the Bill.

Article 17.1.2 of the AUSFTA requires Australia to affirm that it has implemented the eight International Agreements on Intellectual Property there specified namely:

- (a) The Patent Cooperation Treaty (1970);
- (b) The Convention Relating to the Distribution of Program-Carrying Signals Transmitted by Satellite (1974);

⁹ Australia has concluded FTAs with the following countries: Asean/New Zealand, Singapore, Thailand, USA, New Zealand and Chile.

¹⁰ Australia has concluded BITs with the following countries: Argentina, Chile, China, Czech Republic, Egypt, Hong Kong, Hungary, India, Indonesia, Laos, Lithuania, Mexico, Pakistan, Papua New Guinea, Peru, Philippines, Poland, Romania, Turkey, Uruguay, Vietnam

- (c) The Protocol Relating to the Madrid Agreement concerning the International Registration of Marks (1989);
- (d) The Budapest Treaty on the International Recognition of the Deposit of Microorganisms for the Purposes of Patent Procedure (1980);
- (e) The International Convention for the Protection of New Varieties of Plants (1981);
- (f) The Trademark Law Treaty (1994);
- (g) The Paris Convention for the Protection of Industrial Property (1967);
and
- (h) The Berne Convention for the Protection of Literary and Artistic Works (1971)

Australia has also affirmed at Article 17.1.3 and 4 its rights and obligations to the United States arising under the TRIPS Agreement and the WIPO Convention.

Outlined earlier in this paper is a summary of how the Bill is in breach of some of the above Agreements. Consequently, Australia would be in breach of its commitments provided in Article 17.1.2 of the AUSFTA.

Article 17.2.5 of the AUSFTA allows Australia and the US to provide only "limited exceptions to the rights conferred by a mark". This possibility for both Parties extends only to "fair use of descriptive terms provided that such exceptions take account of the legitimate interest of the owner of the mark and of third parties".

It is apparent that before any such exception to the intellectual property rights otherwise available to trademark owners is permitted, each of the elements of the exception must be demonstrated. If any element cannot be demonstrated then the exception is not permissible and a trademark owner is therefore able to enjoy the rights of protection and usage conferred by law (see above analysis on this point).

The Bill is not able to rely on the exception provision contained within Article 17.2.5 because the Bill does not fall into that class or category of circumstances described as "fair use". More particularly however, even if the Bill could be so categorised, it eliminates the legitimate interests of the owner of the mark and hence does not comply with the second element of the exception provision.

Accordingly, the Bill virtually extinguishes the rights of trademark owners (see above) without being able to rely on the exemption provision contained within Article 17.2.5 of the AUSFTA. Therefore, if enacted, the Bill would be in breach of the AUSFTA.

There is no equivalent specific "exception" provision within the AUSFTA for copyright and design. However, the AUSFTA does effectively provide other limited exception provisions for copyright and design. For example, Article 17.4.10 (a) of the AUSFTA relevantly provides:

".... unless otherwise specifically provided in this Chapter, nothing in this Article shall be construed as reducing or extending the scope of the

applicability of the limitations and exceptions permitted under the agreements referred to in Article 17.1.2 and 17.1.4 and the TRIPS Agreement."

The effect of this provision is to incorporate into the Copyright subchapter of the AUSFTA the "exception" provisions of the Paris and Berne Conventions as well as the TRIPS Agreement.

Moreover, Article 17.1.3 of the AUSFTA achieves the same outcome for design. It provides that "the Parties affirm their rights and obligations with respect to each other under the TRIPS Agreement." As mentioned above, the TRIPS Agreement provides allowable exceptions at Article 13 of the TRIPS (for copyright) and Article 26.2 (for design).

It has been argued above in that segment dealing with the TRIPS Agreement that the Bill cannot rely on Article 13 or 26.2 of the TRIPS Agreement to justify the extinguishment of copyright and design rights. To the extent it attempts to do so is in breach of the TRIPS Agreement and consequentially in breach of Article 17.1.3 and 17.4.10 (a) of the AUSFTA.

Article 17.2.12 represents commitments made by Australia and the United States that:

"Each Party shall provide a system that permits owners to assert rights in marks.....".

The Bill does not allow the owner of trademark rights to assert rights in those marks as those marks are not permitted to be used and the owner's rights are suppressed. The Bill therefore is in breach of this sub-article.

Article 17.4.1 deals with Copyright and relevantly provides that Australia and the US:

"...shall provide that... authors, in respect of their works,... have the right to authorise ... all reproductions in any manner or form"

The Bill and in particular Schedule 2, significantly restricts the use of copyright. As such the Bill is inconsistent with Australia's commitments pursuant to Article 17.4.1 of the AUSFTA.

Clause 17.8 of the AUSFTA binds Australia to maintaining "protection for industrial designs that provide a right of presumptive validity (...)" . The Bill undermines and negates this presumptive validity. The Bill therefore is in breach of Article 17.8.1.

Clause 17.8.2 binds Australia to reduce differences in design law and practice. The Bill creates a significant difference between the Australian and US design laws which is inconsistent with and hence in breach of Article 17.8.2 of the AUSFTA.

For the sake of completeness, it is also relevant to consider the provision of Art. 11.7.1, that states: "Neither Party may expropriate or nationalise a covered investment directly or indirectly through measures equivalent to expropriation or nationalisation ..."). This provision allows, nevertheless, a Party to expropriate if a number of

conditions are fulfilled: a) for a public purpose; b) in a non-discriminatory manner; c) on payment of prompt, adequate, and effective compensation; and d) in accordance with due process of law.

It derives that, should investors be deprived of valuable intellectual property rights, Australia would, at the minimum, be bound to compensate adequately for this expropriation, in the conditions clearly stated in subparagraph 2 of Article 11.7.

It is apparent therefore that the Bill does not have proper regard for the rights, commitments and obligations negotiated by Australia in this important FTA. Australia can ill afford to ignore these undertakings for obvious legal and commercial reasons.

11 Conclusion

This document identifies a range of domestic and international legal difficulties which the government will be required to address should the Bill proceed.

The Bill will create two classes of intellectual property right holders within Australia. That is, those who are permitted to use their rights and the cigarette manufacturers who are not. This will dramatically and adversely impact on Australian trade mark, copyright and design law. The rights of certain registered owners and users under each of these areas of Australian law will be materially disadvantaged.

Australia's international standing will be adversely affected by the Bill through its breach of the various international agreements (both multilateral and bilateral) summarised above. To avoid these significant problems the Bill should be rejected.