

WORLD TRADE ORGANIZATION

Panel established pursuant to Article 6 of the Understanding on Rules and Procedures Governing the Settlement of Disputes

***AUSTRALIA – CERTAIN MEASURES CONCERNING TRADEMARKS
AND OTHER PLAIN PACKAGING REQUIREMENTS APPLICABLE
TO TOBACCO PRODUCTS AND PACKAGING
WT/DS434***

AND

**AUSTRALIA — CERTAIN MEASURES CONCERNING
TRADEMARKS, GEOGRAPHICAL INDICATIONS AND OTHER
PLAIN PACKAGING REQUIREMENTS APPLICABLE TO TOBACCO
PRODUCTS AND PACKAGING
WT/DS435, WT/DS441, WT/DS458, WT/DS467**

THIRD-PARTY SUBMISSION OF CANADA

10 April 2015

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TABLE OF CASES REFERRED TO IN THIS SUBMISSION

SHORT FORM	FULL CASE TITLE AND CITATION
<i>Brazil – Retreaded Tyres</i>	Appellate Body Report, <i>Brazil – Measures Affecting Imports of Retreaded Tyres</i> , WT/DS332/AB/R, adopted 17 December 2007, DSR 2007:IV, p. 1527
<i>Canada – Pharmaceutical Patents</i>	Panel Report, <i>Canada – Patent Protection of Pharmaceutical Products</i> , WT/DS114/R, adopted 7 April 2000, DSR 2000:V, p. 2289
<i>EC – Asbestos</i>	Appellate Body Report, <i>European Communities – Measures Affecting Asbestos and Asbestos-Containing Products</i> , WT/DS135/AB/R, adopted 5 April 2001, DSR 2001:VII, p. 3243
<i>EC – Trademarks and Geographical Indications (Australia)</i>	Panel Report, <i>European Communities – Protection of Trademarks and Geographical Indications for Agricultural Products and Foodstuffs, Complaint by Australia</i> , WT/DS290/R, adopted 20 April 2005, DSR 2005:X, p. 4603
<i>EC – Trademarks and Geographical Indications (US)</i>	Panel Report, <i>European Communities – Protection of Trademarks and Geographical Indications for Agricultural Products and Foodstuffs, Complaint by the United States</i> , WT/DS174/R, adopted 20 April 2005, DSR 2005:VIII, p. 3499
<i>Japan – Alcoholic Beverages II</i>	Appellate Body Report, <i>Japan – Taxes on Alcoholic Beverages</i> , WT/DS8/AB/R, WT/DS10/AB/R, WT/DS11/AB/R, adopted 1 November 1996, DSR 1996:I, p. 97
<i>Korea – Dairy</i>	Appellate Body Report, <i>Korea – Definitive Safeguard Measure on Imports of Certain Dairy Products</i> , WT/DS98/AB/R, adopted 12 January 2000, DSR 2000:I, p. 3
<i>Korea – Various Measures on Beef</i>	Appellate Body Report, <i>Korea – Measures Affecting Imports of Fresh, Chilled and Frozen Beef</i> , WT/DS161/AB/R, WT/DS169/AB/R, adopted 10 January 2001, DSR 2001:I, p. 5
<i>Mexico – Telecoms</i>	Panel Report, <i>Mexico – Measures Affecting Telecommunications Services</i> , WT/DS204/R, adopted 1 June 2004, DSR 2004:IV, p. 1537
<i>US – Clove Cigarettes</i>	Appellate Body Report, <i>United States – Measures Affecting the Production and Sale of Clove Cigarettes</i> , WT/DS406/AB/R, adopted 24 April 2012, DSR 2012: XI, p. 5751

SHORT FORM	FULL CASE TITLE AND CITATION
<i>US – COOL</i>	Appellate Body Reports, <i>United States – Certain Country of Origin Labelling (COOL) Requirements</i> , WT/DS384/AB/R / WT/DS386/AB/R, adopted 23 July 2012, DSR 2012:V, p. 2449
<i>US – Gasoline</i>	Appellate Body Report, <i>United States – Standards for Reformulated and Conventional Gasoline</i> , WT/DS2/AB/R, adopted 20 May 1996, DSR 1996:I, p. 3
<i>US – Large Civil Aircraft (2nd complaint)</i>	Appellate Body Report, <i>United States – Measures Affecting Trade in Large Civil Aircraft (Second Complaint)</i> , WT/DS353/AB/R, adopted 23 March 2012, DSR 2012:I, p. 7
<i>US – Section 110(5) Copyright Act</i>	Panel Report, <i>United States – Section 110(5) of the US Copyright Act</i> , WT/DS160/R, adopted 27 July 2000, DSR 2000:VIII, p. 3769
<i>US – Section 211 Appropriations Act</i>	Appellate Body Report, <i>United States – Section 211 Omnibus Appropriations Act of 1998</i> , WT/DS176/AB/R, adopted 1 February 2002, DSR 2002:II, p. 589
<i>US – Tuna II (Mexico)</i>	Appellate Body Report, <i>United States – Measures Concerning the Importation, Marketing and Sale of Tuna and Tuna Products</i> , WT/DS381/AB/R, adopted 13 June 2012, DSR 2012:IV, p. 1837
<i>US – Wool Shirts and Blouses</i>	Appellate Body Report, <i>United States – Measure Affecting Imports of Woven Wool Shirts and Blouses from India</i> , WT/DS33/AB/R, adopted 23 May 1997, and Corr.1, DSR 1997:I, p. 323

TABLE OF ABBREVIATIONS USED IN THIS SUBMISSION

ABBREVIATION	DEFINITION
Doha Declaration on Public Health	<i>Declaration on the TRIPS Agreement and Public Health</i>
FCTC	<i>WHO Framework Convention on Tobacco Control</i>
GATT 1994	<i>General Agreement on Tariffs and Trade 1994</i>
Paris Convention	<i>Paris Convention for the Protection of Industrial Property</i>
SPS Agreement	<i>Agreement on the Application of Sanitary and Phytosanitary Measures</i>
TBT Agreement	<i>Agreement on Technical Barriers to Trade</i>
TRIPS Agreement	<i>Agreement on Trade-Related Aspects of Intellectual Property Rights</i>
Vienna Convention	<i>Vienna Convention on the Law of Treaties</i>
WTO Agreement	<i>Marrakesh Agreement Establishing the World Trade Organization</i>

LIST OF EXHIBITS

CDA-1	World Health Organization 2003, <i>WHO Framework Convention on Tobacco Control</i> . http://whqlibdoc.who.int/publications/2003/9241591013.pdf?ua=1
CDA-2	<i>The Guidelines for implementation of Article 13 of the WHO Framework Convention on Tobacco Control (Tobacco advertising, promotion and sponsorship)</i> . http://www.who.int/fctc/guidelines/article_13.pdf?ua=1
CDA-3	<i>WHO Report on the Global Tobacco Epidemic, 2013</i> , accessed 7 April 2015. http://apps.who.int/iris/bitstream/10665/85380/1/9789241505871_eng.pdf
CDA-4	<i>Tobacco Brand-Stretching: International Compilation of Legislative Extracts</i> , Canadian Cancer Society, April 2015.
CDA-5	<i>Government Regulation of the Republic of Indonesia No. 109 of 2012 Concerning Materials that contain Addictive Substances in Tobacco Products in the Interests of Health</i> , accessed 7 April 2015. http://www.tobaccocontrollaws.org/files/live/Indonesia/Indonesia%20-%20PP%20No.%20109%20of%202012.pdf
CDA-6	<i>Law of Ukraine No. 270/96-BP on Advertising, July 03, 1996 (as amended through March 18, 2008)</i> , accessed 7 April 2015. http://www.tobaccocontrollaws.org/files/live/Ukraine/Ukraine%20-%20Law%20on%20Advertising.pdf
CDA-7	<i>Law No. 3778 On the Introduction of Changes to some legislative acts of Ukraine on the Prohibition of the Advertising, Sponsorship and Promotion of the Sale of Tobacco Products</i> , accessed 7 April 2015. http://www.tobaccocontrollaws.org/files/live/Ukraine/Ukraine%20-%20Law%205164.pdf

I. INTRODUCTION

1. Canada appreciates the opportunity to provide its views in this important and consequential case.

2. This case is significant given its public health dimension. It involves an examination of the compatibility of measures taken to protect public health with rights and obligations under the *Marrakesh Agreement Establishing the World Trade Organization* (WTO Agreement), including the *Agreement on Trade-Related Aspects of Intellectual Property Rights* (TRIPS Agreement) and the *General Agreement on Tariffs and Trade 1994* (GATT 1994).

3. Novel issues of interpretation regarding various provisions of the TRIPS Agreement have been raised in this dispute. The interpretation of the provisions in issue is likely to have a far-reaching, systemic impact on the regulatory flexibility of all WTO Members in the area of public health.

4. The complainants' interpretation of the TRIPS Agreement would, if adopted, alter, expand, and establish new rights and obligations. Their interpretation is unsupported by the text, ignores the objectives and guiding principles in TRIPS Articles 7 and 8.1, as well as the interpretive guidance in paragraph 4 of the *Declaration on the TRIPS Agreement and Public Health* (Doha Declaration on Public Health), and would, if adopted, result in effectively eroding a Member's right to protect public health – a right that has been expressly recognized and preserved under the TRIPS Agreement.

5. Canada has a systemic interest in preserving an interpretation of the TRIPS Agreement that reflects the careful balance struck between rights and obligations to facilitate trade and a Member's right to protect public health. The complainants' interpretation of the provisions in issue threatens this balance.

6. In this submission, Canada will set out its view on the correct interpretation of Article 10*bis* of the *Paris Convention for the Protection of Industrial Property* (Paris Convention), Articles 2.1, 15.1, 15.4, 16.1, 16.3, 20, and 17 of the TRIPS

Agreement, and Article IX:4 of the GATT 1994.¹ In particular, Canada submits the following:

- TRIPS Articles 7 and 8.1, and paragraph 4 of the Doha Declaration on Public Health provide the lens through which the TRIPS Agreement must be interpreted;
- Regulatory measures that are not *acts of competition* fall outside the scope of TRIPS Article 2.1 and Article 10*bis* of the Paris Convention;
- There is no right to use a trademark under TRIPS Articles 15.1, 15.4, 16.1, and 16.3;
- TRIPS Article 20 disciplines *how* a trademark can be used not *whether* or *where* a trademark can be used. Canada proposes a test to determine whether an encumbrance by special requirements is "unjustifiable" that strikes the correct balance between ensuring the integrity of the obligation and safeguarding the right to regulate;
- TRIPS Article 17 provides for limited exceptions for measures that infringe on "rights conferred" under Section 2 of the TRIPS Agreement. A "limited exception" includes exceptions that may be limited or restricted to a category of trademarks or trademark owners;
- Article IX:4 of the GATT 1994 disciplines *how* compliance with marks of origin may be prescribed. The provision does not discipline whether or to what extent Members may require markings on imported products.

7. Canada elaborates on these issues in the next section.

¹ Due to the large number of WTO provisions in issue in this case and the page limitations imposed on third-party written submissions, Canada has focused its submission on select provisions. It should not be presumed that Canada necessarily agrees with the interpretations put forward by the Parties with respect to the provisions that are not addressed in this submission.

II. LEGAL ARGUMENTS

A. The TRIPS Agreement

1. The role of TRIPS Articles 7 and 8.1, and paragraph 4 of the Doha Declaration on Public Health in the interpretation of the TRIPS Agreement

8. Article 31(1) of the *Vienna Convention on the Law of Treaties* (Vienna Convention) prescribes that treaties "shall be interpreted in good faith in accordance with the ordinary meaning to be given to the terms of the treaty in their context and in the light of its object and purpose." Pursuant to the Vienna Convention, TRIPS Articles 7 and 8.1, and paragraph 4 of the Doha Declaration on Public Health provide the lens through which the TRIPS Agreement must be interpreted.

9. TRIPS Article 7 sets out the objectives of the Agreement and identifies that the protection and enforcement of intellectual property rights should contribute to, *inter alia*, the promotion of technology promotion and transfer in a manner conducive to social and economic welfare and to a balance of rights and obligations.

10. Article 8.1 of the TRIPS Agreement establishes a guiding principle that Members may adopt measures necessary to protect public health provided that such measures are consistent with the TRIPS Agreement. This provision is an express recognition that:

- the objective of protecting health is of vital importance;²
- Members have the regulatory flexibility to take measures to protect health; and
- such measures can and need to be consistent with the provisions of the Agreement.

² Other covered agreements also recognize the importance of protecting health (e.g. Article 2.2 of the *Agreement on Technical Barriers to Trade* (TBT Agreement); Article 2.1 of the *Agreement on the Application of Sanitary and Phytosanitary Measures* (SPS Agreement); Article XX(b) of the GATT 1994) and the Appellate Body has confirmed that the protection of health is an objective of vital importance. See Appellate Body Report, *EC – Asbestos*, para. 172.

11. TRIPS Articles 7 and 8.1 form an essential part of the relevant context to be considered when interpreting the TRIPS Agreement, in particular when examining the consistency of public health measures with its provisions.

12. Paragraph 4 of the Doha Declaration on Public Health elaborates upon the principles and objectives articulated in Articles 7 and 8.1 and comprises part of the relevant interpretive context. It expressly states that the TRIPS Agreement does not and should not prevent Members from taking measures to protect public health, and directs that the TRIPS Agreement can and should be interpreted and implemented in a manner supportive of a Member's right to protect health. Further, paragraph 5(a) is an explicit recognition that "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."

13. Paragraph 4 of the Doha Declaration on Public Health expressly directs how the provisions of the TRIPS Agreement are to be interpreted. It constitutes a subsequent agreement within the meaning of Article 31(3)(a) of the Vienna Convention.

14. Based on the text of Article 31(3)(a) of the Vienna Convention, the Appellate Body in *US – Clove Cigarettes* found that a decision adopted by Members may qualify as a "subsequent agreement between the parties" regarding the interpretation of a covered agreement where:³

- The decision is, in a temporal sense, adopted subsequent to the relevant covered agreement; and
- The terms and content of the decision express an agreement between Members on the interpretation of the agreement.

³ Appellate Body Report, *US – Clove Cigarettes*, para. 262.

15. The Doha Declaration on Public Health was adopted by consensus on 14 November 2001 at the Fourth Ministerial Conference of the WTO. It was therefore adopted subsequent to the TRIPS Agreement.

16. With respect to the second element, paragraph 4 of the Doha Declaration on Public Health refers explicitly to and bears specifically upon the interpretation of the TRIPS Agreement.⁴ The text of paragraph 4 clearly expresses an agreement among the Members on the interpretation of the TRIPS Agreement.

17. Paragraph 4 of the Doha Declaration on Public Health satisfies the test set out by the Appellate Body and constitutes a "subsequent agreement between the parties", within the meaning of Article 31(3)(a) of the Vienna Convention. It therefore needs to be taken into account in the interpretation of the provisions of the TRIPS Agreement.⁵

18. In sum, the Panel must be guided by Articles 7 and 8.1 of the TRIPS Agreement, and paragraph 4 of the Doha Declaration on Public Health when interpreting the TRIPS Agreement provisions in issue in this case.

2. TRIPS Article 2.1 and Article 10bis of the Paris Convention (Unfair Competition)

19. The complainants suggest that a Member's measure that has a *bearing* on the relationship between competitors in the marketplace is a measure falling within the scope of Article 10bis of the Paris Convention.⁶ This interpretation is unsupported by the text.

20. Canada recalls that the first paragraph of TRIPS Article 2 incorporates by reference certain provisions of the Paris Convention, including Article 10bis. As the Appellate Body found in *US – Section 211 Appropriations Act*, these Paris Convention obligations, are, as a result of TRIPS Article 2.1, now obligations of all WTO

⁴ Appellate Body Report, *US – Clove Cigarettes*, paras. 265 - 266.

⁵ Appellate Body Report, *US – Clove Cigarettes*, para. 269.

⁶ Ukraine's first written submission, para. 405; Honduras' first written submission, paras. 654 - 668; Dominican Republic's first written submission, para. 843 - 845; Cuba's first written submission, paras. 379 - 388; and Indonesia's first written submission, paras. 151 and 160.

Members, whether they are countries of the Paris Union or not, and are enforceable under the DSU.⁷

21. Article 10*bis* of the Paris Convention is comprised of two components: an obligation and a definition. The first paragraph establishes the obligation to assure to nationals of the other countries of the Paris Union effective protection against unfair competition. The second and third paragraphs set out a definition of "unfair competition" and an illustrative list of acts, allegations, and indications that are expressly prohibited.

22. The definition in Article 10*bis*(2) reads:

Any act of competition contrary to honest practices in industrial or commercial matters constitutes an act of unfair competition.

23. We note that it is only certain *acts of competition* that will constitute "unfair competition", and therefore engage the obligation to ensure the protection afforded under Article 10*bis*(1). The terms "act" and "competition" are not defined in the Paris Convention or the TRIPS Agreement. Therefore, according to the general rules of treaty interpretation set out in the Vienna Convention, we must look to their ordinary meaning, in their context and in the light of the object and purpose of the treaty. The dictionary provides the following definitions:⁸

- i) Act: something done or effected; a deed; the process of doing something; acting, action, operation.
- ii) Competition: rivalry in the market, striving for custom between those who have the same commodities to dispose of.

24. The ordinary meaning of the terms in the context of Article 10*bis* suggests that the phrase "act of competition" is concerned solely with the commercial

⁷ Appellate Body Report, *US – Section 211 Appropriations Act*, para. 238.

⁸ Oxford English Dictionaries Online, definition of "act", accessed 25 March 2015, <<http://www.oed.com/view/Entry/1888?rskey=nblZFZ&result=4&isAdvanced=false#eid>> and "competition", accessed 25 March 2015, <<http://www.oed.com/view/Entry/37578?rskey=RWr74D&result=1&isAdvanced=false#eid>>.

behaviour of actors competing in the market. A State's role in the market is typically as a regulating or governing body directing the relationship between competing actors, *not* as a market actor itself competing for a market share. Where a Member through its measures is regulating the market or its private actors, such measures do not constitute "acts of competition" and fall outside the scope of the definition of "unfair competition" under Article 10*bis*.

25. Moreover, the definition of unfair competition in Article 10*bis* is linked to an *act* of competition. The text does not state that an act *bearing on* competition constitutes unfair competition. Contrary to the assertions by the complainants, there is nothing to support an expansion of the scope of application of Article 10*bis* to capture regulatory measures that are not, themselves, *acts of competition*.

26. The complainants argue that a Member cannot legally require the behaviour it has undertaken to prevent and protect against.⁹ It follows from the complainants' assertions that a Member's regulatory flexibility is only constrained by the obligations it actually undertakes. In the case of Article 10*bis*, the obligation is to protect against unfair competition, which is defined as certain *acts of competition*. If a Member's measure fails to constitute such an act, then Article 10*bis* does not apply and the Member consequently retains its regulatory flexibility in this regard.

3. Article 15 (Protectable Subject Matter)

a) Article 15.1

27. Ukraine conflates the components of Article 15.1 in order to create a new right under the provision – a right to use a sign. Ukraine argues that a Member who prevents signs from being capable of "constituting" a trademark violates the first sentence of Article 15.1.¹⁰ Specifically, the complainant argues that a measure that denies the opportunity to use distinctive signs denies such sign's capability of being functionally useful and thus denies its capability of "constituting" a trademark

⁹ Ukraine's first written submission, paras. 417 - 422; Honduras' first written submission, paras. 657 - 660; and Dominican Republic's first written submission, paras. 853 - 857.

¹⁰ Ukraine's first written submission, paras. 146 - 151

contrary to Article 15.1.¹¹ Such an interpretation is unsupported by the text and existing WTO case law.

28. Article 15.1 disciplines the registration of trademarks. The provision has three components: 1) a definition of "trademark"; 2) an obligation to ensure that a sign that satisfies the definition is eligible for registration as a trademark; and 3) an express recognition that Members retain the regulatory freedom to impose registration conditions,¹² specifically: a) a requirement of use where signs are inherently non-distinctive; and b) a requirement that signs be visually perceptible.

29. The Appellate Body in *US – Section 211 Appropriations Act* confirmed that Article 15.1 "defines which signs or combination of signs are *capable of* constituting a trademark". (emphasis in original)¹³ Further, the Appellate Body found that:¹⁴

WTO Members are obliged under Article 15.1 to ensure that those signs or combination of signs that meet the distinctiveness criteria set forth in Article 15.1– and are, thus, *capable of constituting a trademark - are eligible for registration* as trademarks within their domestic legislation. (emphasis in original)

30. Ukraine conflates the first two components of Article 15.1 – the definition and the obligation – to assert that a Member that prevents signs from being capable of "constituting" a trademark violates the first sentence of Article 15.1. Ukraine seeks to transform an element of the definition into an obligation. However, it is clear from the text that the entire first sentence and the first part of the second sentence of Article 15.1 combine to create a *definition* – not an obligation.

31. Ukraine supports its argument by using a meaning of the word "constituting" that is incorrect in the context of Article 15.1, which results in a distorted interpretation of the provision. Ukraine refers to the dictionary definition of

¹¹ Ukraine's first written submission, paras. 146 – 177.

¹² According to the Appellate Body, Article 15.1 limits the right of Members to determine the conditions for filing and registration of trademarks pursuant to Article 6(1) of the *Paris Convention only as it relates to the distinctiveness requirements* enunciated in Article 15.1. See Appellate Body Report, *US – Section 211 Appropriations Act*, para. 165. Article 6(1) of the *Paris Convention* reserves to each country the right to determine the conditions for filing and registration of trademarks.

¹³ Appellate Body Report, *US – Section 211 Appropriations Act*, para. 154.

¹⁴ Appellate Body Report, *US – Section 211 Appropriations Act*, para. 154.

"constitute" as: "to make (a thing) what it is; determine".¹⁵ However, the dictionary also defines the term as follows: "to make (a person or thing) *something*; to establish or set up as".¹⁶ When viewed in the context of Article 15.1, this latter definition provides the appropriate meaning for the term.

32. Article 15.1 does not require Members to guarantee the use of signs to make them "capable of" "constituting" a trademark. Rather, the term "constituting" forms part of the definition identifying what may become a trademark. That is, signs that meet the distinctiveness criterion in Article 15.1 are, as a result of meeting that criterion, then capable of constituting (i.e. making up, comprising, being established as) a trademark.

33. To accept Ukraine's interpretation of Article 15.1 would result in the creation of a new right and obligation. Such an interpretation is not supported by the text of Article 15.1 or the case law. Contrary to what the complainant argues, there is only *one* obligation under Article 15.1 – which is for Members to ensure that signs that satisfy the definition are *eligible* for trademark *registration*. In the same vein as the complainants in the *US – Section 211 Appropriations Act*, Ukraine sees an obligation in Article 15.1 that is not there.

34. There can only be a violation of Article 15.1 where a measure addresses *registration* of trademarks and restricts the *eligibility* of signs for *registration*. It follows that if a measure does not deal with registration or does not restrict eligibility for registration, a claim of violation cannot be substantiated.

b) Article 15.4

35. The complainants maintain that a measure that denies the protection flowing from trademark registration (including a right to use) based on the nature of the good violates Article 15.4. Further, the complainants assert that a measure that

¹⁵ See Ukraine's first written submission, fn. 166.

¹⁶ Oxford English Dictionaries Online, definition of "constitute", accessed 25 March 2015, <<http://www.oed.com/view/Entry/39844?rskey=N31WwK&result=2&isAdvanced=false#eid>> (emphasis added).

makes it impossible for non-inherently distinctive signs to acquire distinctiveness and thus meet the basic requirement that conditions registration as a trademark because of the nature of the product violates Article 15.4.¹⁷

36. Contrary to the complainants' assertions, Article 15.4 only obliges Members to ensure that the "nature of the goods" do not form an obstacle to *registration* of the trademark. This provision ensures that registration of a trademark is independent of both the category of goods/services and the legality of goods/services in the jurisdiction (i.e. whether the goods/services are for legal sale).

37. The complainants confuse two concepts that are distinct under Section 2 of the TRIPS Agreement: 1) registration, and 2) rights that flow from registration. Article 15.4 neither addresses protections flowing from trademark registration, nor establishes a right to use a registered trademark. This provision simply and exclusively requires Members not to establish obstacles to *registration* based on the nature of the goods/services. Therefore a measure will only violate Article 15.4 where it is proven to be an obstacle to *registration* based on the nature of the product/services. It follows that where a measure restricts or prevents *use* of a trademark but does not interfere with its *registration*, there will be no basis for a successful claim under Article 15.4.

38. Canada agrees with the complainants that registration is a "gateway to substantive protection".¹⁸ However, substantive protection is not the subject of Article 15.4. Rather, where trademarks are registered, they then benefit from the protection set out under other TRIPS provisions, such as Articles 16 (Rights Conferred) and 18 (Term of Protection). Article 15.4 solely establishes an obligation to ensure that registration will not be obstructed by the nature of the goods/services to which the trademark is to be applied.

¹⁷ See Ukraine's first written submission, paras. 183 – 188 and 201; Honduras' first written submission, paras. 191 - 193; Dominican Republic's first written submission, paras. 274, 283 and 292-293; Indonesia's first written submission, paras. 190 - 200; and Cuba's first written submission, para. 428.

¹⁸ Ukraine's first written submission, para. 199.

39. Further, contrary to the complainants' assertions, Article 15.4 does *not* guarantee an opportunity, or grant a right, to acquire distinctiveness for non-inherently distinctive signs. This would create a right to use a sign if that sign has the potential to become a trademark, which is *not* a right protected under the TRIPS Agreement. The complainants' arguments and examples demonstrate that it is the element of the sign itself (that it is not distinctive), rather than a measure that prohibits use, that creates the obstacle to registration.

40. To read a right to use a sign or a trademark into the TRIPS Agreement would do violence to the text and create the following untenable results. First, if Article 15.4 were to be interpreted to include a right to use, it would not have been necessary to establish positively in Articles 15.1 and 15.3 that Members have the right to require use prior to obtaining trademark registration. Such a finding would reduce to redundancy and inutility the recognition of a Member's right to require use under the TRIPS Agreement.¹⁹ It would also ignore the right to impose restrictions on the use of trademarks implicitly recognized in Article 20. If Members can impose restrictions on the use of a trademark, then it follows logically that there can be no right to use a trademark.

41. Second, the right to use a sign or trademark would prevent Members from banning any good or service. This is because a ban would necessarily result in preventing use of signs and trademarks associated with the banned goods/services and a resulting inability for non-inherently distinctive signs to attain distinctiveness. Similarly, Members would be prevented from imposing other measures, such as restrictions on the advertisement of goods, including on "brand-stretching" – a measure that is explicitly recognized in the Guidelines for the implementation of the *WHO Framework Convention on Tobacco Control* (FCTC) as decreasing tobacco consumption²⁰ and that has been implemented by many WTO Members, including Ukraine and Indonesia.²¹

¹⁹ See Appellate Body Report, *US – Section 211 Appropriations Act*, para. 161.

²⁰ Article 13 of the FCTC, Exhibit CDA-1 and the *Guidelines for implementation of Article 13 of the WHO Framework Convention on Tobacco Control (Tobacco advertising, promotion and sponsorship)*,

42. A finding of a right to use a sign or trademark would effectively restrict Members' ability to take legitimate measures to protect public health. Members have clearly and unequivocally preserved the freedom to regulate in the interest of protecting public health and this is evident in TRIPS Articles 7 and 8.1, and paragraph 4 of the Doha Declaration on Public Health. Article 15.4 must be interpreted in a manner supportive of a Member's right to protect public health.²² As such, the TRIPS Agreement, and in this instance Article 15.4, must not be interpreted so as to restrict a Member's ability to take measures to protect public health.²³

43. In conclusion, the complainants' interpretation of Article 15.4 would egregiously expand the scope and alter the nature of the provision in a manner that is unsupported by the text and contrary to the intent of the Members, as expressed

paras. 3(a), 8, and 22 – 24. The Guidelines indicate that ""brand stretching" [...] should be regarded as tobacco advertising and promotion in so far as they have the aim, effect or likely effect of promoting a tobacco product or tobacco use either directly or indirectly" and that ""brand stretching" occurs when a tobacco brand name, emblem, trademark, logo or trade insignia or any other distinctive feature (including distinctive colour combinations) is connected with a non-tobacco product or service in such a way that the tobacco product and the non-tobacco product or service are likely to be associated." The *Guidelines for implementation of Article 13 of the WHO Framework Convention on Tobacco Control (Tobacco advertising, promotion and sponsorship)*, paras. 22 - 24, Exhibit CDA-2.

²¹ WHO Report on the Global Tobacco Epidemic, 2013, *Enforcing bans on tobacco advertising promotion and sponsorship*, Appendix II, pp.134-144, accessed 7 April 2015, <http://apps.who.int/iris/bitstream/10665/85380/1/9789241505871_eng.pdf>, Exhibit CDA-3; *Tobacco Brand-Stretching: International Compilation of Legislative Extracts*, Canadian Cancer Society, April 2015, Exhibit CDA-4; *Government Regulation of the Republic of Indonesia No. 109 of 2012 Concerning Materials that contain Addictive Substances in Tobacco Products in the Interests of Health*, Article 35(2)(b), accessed 7 April 2015, <<http://www.tobaccocontrolaws.org/files/live/Indonesia/Indonesia%20-%20PP%20No.%20109%20of%202012.pdf>>, Exhibit CDA-5; *Law of Ukraine No. 270/96-BP on Advertising, July 03, 1996 (as amended through March 18, 2008)*, Section III, Articles 22.3 and 22.6, accessed 7 April 2015, <<http://www.tobaccocontrolaws.org/files/live/Ukraine/Ukraine%20-%20Law%20on%20Advertising.pdf>>, Exhibit CDA-6; and *Law No. 3778 On the Introduction of Changes to some legislative acts of Ukraine on the Prohibition of the Advertising, Sponsorship and Promotion of the Sale of Tobacco Products*, Sections 2.2 and 2.3, accessed 7 April 2015, <<http://www.tobaccocontrolaws.org/files/live/Ukraine/Ukraine%20-%20Law%205164.pdf>>, Exhibit CDA-7.

²² TRIPS Article 8.1 and paragraph 4 of the Doha Declaration on Public Health.

²³ Any concerns that there will be an unscrupulous rise in the number of, *inter alia*, bans on goods or services, in the event the Panel establishes that there is no right to use trademarks under the TRIPS Agreement are unfounded. Members will not suddenly rush to ban goods or services simply because the flexibility to take such measures is confirmed to be preserved under the TRIPS Agreement. Like all measures, bans must be consistent with a Member's obligations under the WTO Agreement and are appropriately disciplined under, *inter alia*, Article XI:1 of the GATT 1994, Article 2 of the TBT Agreement, and Article 2 of the SPS Agreement.

in TRIPS Article 8.1 and paragraph 4 of the Doha Declaration on Public Health. Therefore, it must be rejected.

4. Article 16 (Rights Conferred)

a) Article 16.1

44. The complainants assert that Article 16.1 provides a minimum opportunity to use a trademark to distinguish products so as to enable enforcement of the rights conferred.²⁴

45. The assertion that Article 16.1 includes a right to use a trademark is without merit. There is nothing in the text to support an interpretation that includes such a right.

46. The single right conferred on the owner of a registered trademark under Article 16.1 is set out in the first sentence. As confirmed by the panel in *EC – Trademarks and Geographical Indications (US)*, this right consists *only* of the trademark owner's entitlement to prevent *third parties* from unauthorized use of identical or similar signs on identical or similar goods or services where such use would result in a likelihood of confusion.²⁵ This is the minimum level of protection guaranteed under Article 16.1 – the right to exclude others from using the trademark.

47. Further, the negotiating history of Article 16.1 reveals that the text that garnered consensus in the second round of negotiations, and which ultimately formed the basis for the final text, included only the right to exclude third parties from using the trademark and did *not* include an owner's right to use the trademark.²⁶

²⁴ Ukraine's first written submission, paras. 226, 259-274; Honduras' first written submission, para. 229 - 230; Dominican Republic's first written submission, paras. 296 - 314; Indonesia's first written submission, para. 204; and Cuba's first written submission, para. 428.

²⁵ Panel Report, *EC – Trademarks and Geographical Indications (US)*, fn. 558.

²⁶ See Drafts of October 25, 1990, November 13, 20, and 23 1990 – all of which retain language identifying the exclusive right to prevent third parties from using the trademark.

48. The complainants' seek to support their view by claiming that without a right to use, the protection under Article 16.1 would be eroded or eliminated because an inability to use a trademark would reduce the strength of the mark and the owner's ability to demonstrate a "likelihood of confusion".²⁷ While the complainants may be correct to state that non-use of a trademark could potentially reduce a mark's strength and impact on an owner's ability to prove a "likelihood of confusion", WTO Members are not obliged under Article 16.1, or elsewhere in the TRIPS Agreement, to preserve or strengthen either the mark or the owner's ability to successfully demonstrate a "likelihood of confusion". Such an obligation would effectively make Members responsible for private interests that they cannot control, as the strength of a mark is ultimately dependent upon its user and market forces, including consumer perception.

49. If Members had an obligation to preserve or strengthen a mark, Members would retain little flexibility to regulate as many measures could have the effect of reducing the strength of the mark – such as banning or restricting product advertising, which is a measure that is specifically identified in the FCTC as contributing to the reduction of tobacco consumption²⁸ and as already noted has been implemented by many WTO Members, including Ukraine and Indonesia.²⁹

50. Further, to adopt the complainants' proffered interpretation of Article 16.1 would lead to the untenable result of preventing Members from banning a good or service. Such a ban would necessarily mean that certain signs and trademarks could not be used in relation to the banned goods. The logic of the acceptability of a ban implies an absence of a right to use and to preserve and strengthen a mark.

51. As explained above with respect to Article 15.4, establishing a right to use would remove the regulatory discretion recognized and preserved under the TRIPS Agreement to take measures to protect public health. Drafters were mindful and

²⁷ Ukraine's first written submission, paras. 259-278; Honduras' first written submission, paras. 230 and 243 - 249; Dominican Republic's first written submission, paras. 296-302; Indonesia's first written submission, para. 204; and Cuba's first written submission, para. 428.

²⁸ Article 13 of the FCTC, Exhibit CDA-1.

²⁹ See footnote 21.

explicit about the importance of retaining such regulatory flexibility under the TRIPS Agreement. This is evident both in TRIPS Article 8.1 and paragraph 4 of the Doha Declaration on Public Health. To remove this regulatory flexibility would be to disrupt and ignore the carefully negotiated balance under the TRIPS Agreement between intellectual property rights and a Member's right to regulate in the interest of public health.

52. It is clear that Article 16.1 establishes but *one* right for trademark owners – that being the right to exclude third parties from using the trademark. A Member will only violate Article 16.1 where it fails to protect the right of an owner to prevent unauthorized use by third parties. A measure that prevents the *owner* from using the registered trademark is not a measure that violates Article 16.1.

53. The complainants' interpretation of Article 16.1 is not supported by the text, the negotiating history, case law, or TRIPS Article 8.1 and paragraph 4 of the Doha Declaration on Public Health, and must be rejected.

b) Article 16.3

54. The complainants argue that a measure that prevents or restricts the use of a trademark removes the ability of a well-known trademark to acquire or maintain its status as a "well-known" mark and thus violates Article 16.3.³⁰ Underlying the complainant's argument is a claim of a right to use a mark in order to acquire or maintain status as a "well-known" mark.

55. Article 16.3 does not establish a right to use a mark. It follows from this that the provision also does not protect a mark's status or ability to acquire status as a "well-known" mark. As articulated with respect to Articles 15 and 16.1 above, a finding of a right to "use" under Article 16.1 would effectively remove the regulatory flexibility that Members purposefully negotiated and preserved under the TRIPS Agreement. It would also ignore the text of that provision, the express intent in

³⁰ Ukraine's first written submission, paras. 296 - 313; Dominican Republic's first written submission, paras. 317 - 331; Indonesia's first written submission, paras. 236 - 239; and Cuba's first written submission, para. 428.

TRIPS Articles 7 and 8.1, and the direction set out in paragraph 4 of the Doha Declaration on Public Health.

56. Article 16.3 expands upon Article 6*bis* of the Paris Convention to create an obligation on Members to protect registered well-known trademarks by refusing or canceling the registration, and prohibiting the use, of an unauthorized trademark if certain conditions are met.³¹ The purpose of the provision is to protect against the generalized use of a registered well-known trademark that may cause dilution of the mark. The protection afforded in Article 16.3 must be read in light of the definition of "well-known" trademarks in Article 16.2.

57. It is clear that a Member will only violate Article 16.3 where it fails to protect registered "well-known" trademarks from unauthorized use on dissimilar goods or services where the use by others would cause harm to the owner of such trademarks. A measure that prevents or restricts the *owner* from using a registered "well-known" trademark is not a measure that violates Article 16.3.

5. Article 20 (Other Requirements)

58. Ukraine argues that a "special requirement" under Article 20 includes measures that prohibit the use of trademarks.³² Cuba argues that the examples of "special requirements" in Article 20 are *ipso facto* unjustifiable.³³ Further, the complainants incorrectly import a "necessity" test into Article 20 to determine whether a measure is an "unjustifiable" encumbrance by special requirements.³⁴

59. Article 20 disciplines certain requirements that Members can impose on *how* a trademark is used. This provision obliges Members not to impose special

³¹ Specifically:

- where the use of the unauthorized trademark is on goods or services that are dissimilar to those in respect of which the well-known trademark has been registered;
- where the use of the unauthorized trademark would indicate a connection between those goods or services and the owner of the well-known trademark; and
- provided that the interests of the owner of the well-known trademark are likely to be damaged by such use.

³² See Ukraine's first written submission, paras. 319 and 323 - 328.

³³ Cuba's first written submission, para. 326.

³⁴ Ukraine's first written submission, para. 386 and Honduras' first written submission, paras. 296 – 300.

requirements that unjustifiably encumber the use of a trademark in the course of trade. A non-exhaustive list of examples of "special requirements" is included in the text. Unlike Article 16, the obligation under Article 20 extends to unregistered as well as registered trademarks.

60. Based on a textual reading of the provision, the test to determine whether a measure violates Article 20 is the following:

- whether the measure constitutes a "special requirement"
- that "encumbers"
- the "use" of a trademark
- "in the course of trade"; and
- if a panel finds that the measure meets these four elements of the test, it must then determine whether the measure is "unjustifiable". If a panel finds in the affirmative, then the measure violates Article 20.

61. The operative terms contained in the five elements of Article 20 identified above are not defined in the TRIPS Agreement. As directed by the Appellate Body and the general rules of treaty interpretation,³⁵ we must then look to the ordinary meaning of these terms in their context, in the light of the object and purpose of the treaty.

62. We begin with the term "special requirements".³⁶ The words "special" and "requirement" are defined in the dictionary as:³⁷

- i) Special: limited or restricted; additional to the usual or ordinary; having an individual, particular, or limited application, object, or intention; affecting or concerning

³⁵ Article 31(1) of the Vienna Convention.

³⁶ The panel in *US – Section 110(5) Copyright Act* looked to dictionary definitions to ascertain the meaning of "special" in TRIPS Article 13. See Panel Report, *US – Section 110(5) Copyright Act*, para. 6.109.

³⁷ Oxford English Dictionaries Online, definitions of "special", accessed 25 March 2015, <<http://www.oed.com/view/Entry/185972?rskey=5pxPbv&result=1&isAdvanced=false#eid>> and "requirement", accessed 25 March 2015, <<http://www.oed.com/view/Entry/163260?redirectedFrom=requirement#eid>>.

a single person, thing, circumstance, etc., or a particular class of these.

- ii) Requirement: something which is required or needed; something called for or demanded; a condition which must be complied with.

63. The non-exhaustive list provided in the first sentence of Article 20 also informs the meaning of the term. The rule of *ejusdem generis* applies to situations where the general word or phrase follows or precedes the specified list and indicates that the general word or phrase will be interpreted to include only persons or things of the same type as those listed.³⁸ The specific examples listed in Article 20 therefore provide an indication as to the types of requirements that are meant to be captured by the term "special requirements".

64. The listed examples of requirements relate to *how* a trademark can be used (use with another trademark, use in a special form, and use in a manner detrimental to the trademark's capability to distinguish goods). Notably, the list does not include restrictions on *whether* or *where* trademarks may be used. This is because WTO Members sought to preserve regulatory flexibility to determine whether and where a trademark can be used. As demonstrated above under other TRIPS provisions, the preservation of this regulatory freedom is coherent throughout Section 2 of the TRIPS Agreement. It is clear that restrictions related to *whether* a trademark can be used (e.g. prohibiting use on goods or in advertising) or *where* a trade mark can be used (e.g. designating use on specified parts of product packaging) are not "special requirements" for the purposes of Article 20.

65. As noted above, Ukraine argues that the term "special requirement" includes measures that prohibit the use of trademarks. The complainant's interpretation of the term "special requirements" is overly broad and ignores the context in which Article 20 must be read and interpreted.³⁹ When interpreting Article 20 through the

³⁸ Appellate Body Report, *US – Large Civil Aircraft (2nd complaint)*, fn. 1290.

³⁹ Ukraine erroneously supports its argument by referring to the Appellate Body's findings in *EC – Asbestos* (See Ukraine's first written submission, para. 324). However, the Appellate Body in that case

lens of TRIPS Article 8.1 and paragraph 4 of the Doha Declaration on Public Health, it is evident that Article 20 can and must be interpreted to circumscribe *only* the regulatory flexibility that a Member has to dictate *how* a trademark can be used. To interpret the provision broadly would result in a Member's inability to ban or restrict the sale of products, as such a ban would necessarily equate to a ban or restriction on *whether* and *where* a trademark could be used.

66. Finally, it is significant and consequential that Article 20 does not expressly state that a Member is prohibited from banning or restricting the use of a trademark. The absence of such language is an indication that the Members sought to preserve this regulatory flexibility.

67. Taking into consideration the ordinary meaning of the words, in their context, the term "special requirements" in Article 20 must be interpreted narrowly to mean: mandatory demands that have a limited scope of application or a limited effect⁴⁰ on how a trademark can be used.

68. Further, when examining the ordinary meaning of the terms in the provision in their context and in the light of the object and purpose of the treaty, it is clear that the "use" of a trademark "in the course of trade" will be "encumbered" by "special requirements" for the purposes of Article 20 where a Member's mandatory demands, of limited application or effect, place a burden on how a trademark may be used in commercial activities.⁴¹

69. Where a panel concludes that a measure is a "special requirement" that "encumbers" the "use of a trademark in the course of trade", it must then determine

was interpreting the term "product characteristics" under Article 2.2 of the TBT Agreement. The Appellate Body's findings in this respect are irrelevant to the determination of the meaning of an unrelated term under a different WTO agreement.

⁴⁰ For example, the requirement may be limited in its application to, or effect on, a particular class of trademarks or category of goods.

⁴¹ The dictionary definition of "encumbered" is "hampered, burdened". The definition of "encumber" and "encumbrance" is respectively: "to hamper...or burden; to act as a restraint upon" and "that which encumbers; a burden, impediment". Further, the dictionary definitions of "in the course of" and "trade" as are follows: "in the course of": in the process of, during the progress of, and "trade": passage or resort for the purpose of commerce; the buying and selling or exchange of commodities for profit; commerce, traffic, trading; to carry on business.

whether the measure is justifiable. Cuba argues that the examples of "special requirements" in Article 20 are *ipso facto* unjustifiable. On the contrary, the listed examples are *not* examples of "unjustifiable" special requirements that encumber the use of a trademark. Rather, the obligation establishes that the listed requirements, like other similar requirements, must not "unjustifiably" burden the use of a trademark. Requirements that "justifiably" encumber how a trademark may be used do not violate Article 20.

70. Again, this provision, like others in the TRIPS Agreement, must be interpreted in a manner faithful to the interpretive direction in paragraph 4 of the Doha Declaration on Public Health. To restrict a Member's ability to justify a special requirement listed in Article 20 would prevent it from taking certain measures to protect health. That cannot be the case.

71. Canada's interpretation is substantiated by the French version of the text, which reads:

L'usage d'une marque de fabrique ou de commerce au cours d'opérations commerciales ne sera pas entravé de manière injustifiable par des prescriptions spéciales, telles que l'usage simultané d'une autre marque, l'usage sous une forme spéciale, ou l'usage d'une manière qui nuise à sa capacité de distinguer les produits ou les services d'une entreprise de ceux d'autres entreprises. (emphasis added)

72. The underlined portion of the text indicates that the use of trademarks shall not be encumbered in an unjustifiable *manner* by special requirements, indicating that the listed special requirements may be justifiable if they are imposed in an appropriate manner.

73. Further, this relationship between "unjustifiably" and the list of special requirements is supported by the negotiating history. The word "unjustifiably" was inserted into the text (initially in square brackets) *after* a general consensus had

been achieved on the list of "special requirements" to be included.⁴² This demonstrates that the requirements in the list were not considered to be "unjustifiable", and that the term was included to provide Members with the opportunity to justify *any* potential offending measure.

74. In terms of the allocation of the burden of proof to demonstrate that a measure is "unjustifiable" under Article 20, the Appellate Body has established that the burden of proof rests with the party, whether complaining or defending, that asserts the affirmative of a particular claim or defence.⁴³ It follows that a complainant claiming a violation of Article 20 bears the burden of presenting evidence and argument sufficient to establish a *prima facie* case that the respondent has violated Article 20.

75. The construction of Article 20 is such that it establishes an affirmative obligation on Members not to impose special requirements that unjustifiably encumber the use of a trademark. The word "unjustifiably" in the text does not create an exception (unlike Article 17 of the TRIPS Agreement or Article XX of the GATT 1994), but rather comprises a component of the obligation. Therefore, Canada disagrees with the complainants that the burden shifts to the defending Member to prove that a measure is "justifiable".⁴⁴ As identified in a note by the WTO Secretariat, when "necessity tests" are included in an obligation provision, the burden of proof is on the complaining party to show that the measure at issue does not meet the necessity requirement.⁴⁵ The same holds true in the case of Article 20 and the element of "unjustifiably". That is, the complainants must show, as part of its *prima facie* case, that the measure in question is "unjustifiable". Once that *prima facie* case is established, then it is up to the respondent to advance sufficient argument and evidence to rebut such a case.

⁴² Notably, initial drafts of Article 20 did not include the concept. See Draft of July 23, 1990 and October 1, 1990.

⁴³ Appellate Body Report, *US – Clove Cigarettes*, para. 281, citing Appellate Body Report, *US – Wool Shirts and Blouses*, p. 14.

⁴⁴ See, Honduras' first written submission, paras. 316 - 322; Dominican Republic's first written submission, paras. 369 - 377; and Indonesia's first written submission, paras. 290 – 291.

⁴⁵ Working Party on Domestic Regulation, "Necessity Tests in the WTO", Note by the Secretariat, S/WPDR/W/27/Add.1, 18 January 2011 and S/WPDR/W/27, 2 December 2003, paras. 6-7.

76. We turn next to the meaning of "unjustifiably" and the test to determine whether a special requirement that encumbers the use of a trademark is "unjustifiable" under Article 20.

77. The description of "unjustifiable" is "not justifiable, indefensible" and these terms, "justifiable" and "indefensible", are defined respectively as: ⁴⁶

- i) Justifiable: able to be legally or morally justified; able to be shown to be just, righteous, or innocent.
- ii) Indefensible: incapable of being defended in argument, maintained, or vindicated; unjustifiable, inexcusable.

78. Whether something is "justifiable" involves whether it can be defended, supported – in essence whether it is reasonable. In contrast, the term "necessary", in its ordinary meaning, signifies something "that cannot be dispensed with or done without, requisite, essential, needful".⁴⁷ When the meanings of "necessary" and "justifiable" are compared, it is evident that the threshold to establish that a measure is "necessary" must be higher and more stringent than the threshold to establish that a measure is "justifiable".

79. The TRIPS Agreement contains both terms: "necessary" and "unjustifiably". If the Members had intended to use the word "necessary" in Article 20 they would have done so, as they did in TRIPS Articles 3.2, 8.1, 27.2, 39.3, 43.2, 50.5, and 73(b). Instead, Article 20 imposes a standard of "justifiably". The two terms are distinct. The corollary is that the tests for these two terms are also distinct.

⁴⁶ Oxford English Dictionaries Online, definitions of "justifiable", accessed 25 March 2015, <<http://www.oed.com/view/Entry/102219?redirectedFrom=justifiable#eid>> and "indefensible", accessed 25 March 2015, <<http://www.oed.com/view/Entry/94236?redirectedFrom=indefensible#eid>>.

⁴⁷ Panel Report, *Mexico – Telecoms*, para. 7.337. The Appellate Body has found that the term "necessary" can refer to a range of degrees of necessity, depending on the context, and the object and purpose of the provision in which it is used. Appellate Body Report, *US – Tuna II (Mexico)*, para. 318 and fn. 642 (quoting Appellate Body Report, *Korea – Various Measures on Beef*, para. 161).

80. Some complainants try to import the concept of necessity (and its resulting test) into Article 20.⁴⁸ One apparent basis for this is the language in TRIPS Article 8.1. Canada recalls that Article 8.1 *affirms* a Member's right to take measures *necessary* to protect health provided such measures are consistent with the TRIPS Agreement. Article 8.1 does not set out rights or obligations and is not an exception for measures that may otherwise be inconsistent with the provisions of the TRIPS Agreement. Rather, it espouses the principle, much like a preambular statement, that Members have the right to take measures necessary to protect health. While the provision should be given appropriate weight in terms of its value in providing interpretive guidance, the concept of necessity contained therein cannot be used to override and replace the word "unjustifiably" that was intentionally used in Article 20.

81. A comparison between TRIPS Articles 8.1 and 20 demonstrates the deliberate choice by drafters to use a word different from "necessary" to identify the standard that will be employed to determine when it is warranted for a requirement to encumber the use of a trademark. According to the principle of effectiveness, which is applied and used by the Appellate Body,⁴⁹ each term in the treaty must be given meaning and effect. As indicated, some complainants would have the Panel collapse the two distinct concepts of "necessity" and "justifiability" together, but this would ignore a basic tenet of treaty interpretation.

82. The concept of "justifiably" in Article 20 is fundamentally concerned with the relationship between the special requirement and the encumbrance. That is, "justifiably" aims to achieve fairness, reasonableness, and the correct balance between a Member's ability to regulate and the obligation to refrain from encumbering how a trademark may be used.

⁴⁸ Honduras' first written submission, paras. 292 - 301; Dominican Republic's first written submission, paras. 382 - 391; and Cuba's first written submission, para. 319.

⁴⁹ The Appellate Body found that "[I]n light of the interpretive principle of effectiveness, it is the *duty* of any treaty interpreter to "read all applicable provisions of a treaty in a way that gives meaning to *all* of them, harmoniously." (emphasis in original) Appellate Body Report, *Korea – Dairy*, para. 81. The Appellate Body has further stated that "the words actually used in the Article provide the basis for an interpretation that must give meaning and effect to all its terms." See Appellate Body Report, *Japan – Taxes on Alcoholic Beverages II*, p. 17.

83. The term "unjustifiably" is also used in the text of the chapeau to Article XX of the GATT 1994 and case law interpreting that provision can provide useful guidance. The Appellate Body's reasoning in *Brazil – Retreaded Tyres* indicates that "justifiable" contains within it the notion of a rational connection between the measure and the objective. In that case, the Appellate Body stated:⁵⁰

[...] analyzing whether discrimination is "unjustifiable" will usually involve an analysis that relates primarily to the cause or the rationale of the discrimination.

[...] discrimination can result from a rational decision or behaviour, and still be "arbitrary or unjustifiable", because it is explained by a rationale that bears no relationship to the objective of a measure provisionally justified under one of the paragraphs of Article XX, or goes against that objective. (footnote omitted)

84. It is essential that the test established to determine whether a requirement is "unjustifiable" safeguards the integrity of the obligation under Article 20 while ensuring regulatory flexibility to protect, *inter alia*, public health.

85. As for the one-step test proposed by Australia,⁵¹ requiring a complainant to establish that there is no rational connection between the requirement and a legitimate public policy objective in order to demonstrate that the requirement is "unjustifiable" would establish an extremely onerous burden to establish a violation of Article 20. Indeed, it would only be in extreme and rare cases that a respondent's requirement would bear no rational connection to the objective.

86. On the other hand, the test advanced by the complainants to determine whether a requirement is "unjustifiable" is equally untenable as it would require the requirement to be the least trade-restrictive to achieve the objective. While this element is appropriate under a "necessity" test, it would establish an inappropriately high and stringent standard under a "justifiability" test.

⁵⁰ Appellate Body Report, *Brazil – Retreaded Tyres*, paras. 229 and 232.

⁵¹ Australia's first written submission, paras. 369, 430, and 435.

87. Having regard for the ordinary meaning of the words, existing case law, and relevant context, including other TRIPS provisions and the Doha Declaration on Public Health, Canada proposes that the elements to be examined in determining whether a special requirement is "unjustifiable" under Article 20 constitute the following:

- Is the objective of the requirement legitimate? This element involves identifying the objective of the requirement and determining whether it is "legitimate". Such an examination ensures that the requirement is motivated by an objective of sufficient importance in order for it to be "justifiable".⁵² With respect to this element, the more vital or important the objective, the easier it would be to accept the requirement as "justifiable". In the context of the case at hand, it is important to recall that the Appellate Body has found that the protection of health is an objective of vital importance.⁵³
- Is there a rational connection between the requirement and the legitimate objective? This involves an examination of whether the requirement is designed to achieve the objective and whether there is evidence to support a connection between the requirement and the objective. If the requirement is not rationally connected to the objective, then it is not "justifiable".
- Does the requirement contribute to the objective? This element is concerned with determining the degree of contribution of the requirement to the objective. The greater the contribution to the objective, the more easily the requirement might be considered to be "justifiable".
- To what extent does the requirement encumber how a trademark can be used? This element would require a determination of the level of encumbrance of the requirement on how a trademark can be used. A requirement with a relatively slight encumbrance on

⁵² The concept of "legitimate objective" is familiar to Members, panels, and the Appellate Body, as it is found in Article 2.2 of the TBT Agreement and Article XX of the GATT 1994. The Appellate Body has used the dictionary definition to state that a "legitimate objective" refers to an aim or target that is lawful, justifiable, or proper. Appellate Body Report, *US – COOL*, para. 370. Further, in the context of TRIPS Article 30, the panel in *Canada - Pharmaceutical Patents* found that a "legitimate interest" refers to the "protection of interests that are 'justifiable' in the sense that they are supported by relevant public policies or other social norms". Panel Report, *Canada – Pharmaceutical Patents*, para. 7.69.

⁵³ Appellate Body Report, *EC – Asbestos*, para. 172.

how a trademark may be used might more easily be considered as "justifiable" than a requirement with intense or broader restrictive effects.

88. The exercise in determining whether a special requirement is "unjustifiable" involves a weighing and balancing of these factors. In other words, a panel would weigh the importance of the objective and the contribution of the requirement with the extent of the encumbrance on the use of a trademark. Ultimately, a determination of whether a special requirement constitutes an "unjustifiable" encumbrance on the use of a trademark must be made on a case-by case basis, taking into account all relevant facts and circumstances in the case at issue.

89. While Canada's proposed test for "unjustifiably" may appear similar to the "necessity" tests established under the GATT Article XX and Article 2.2 of the TBT Agreement,⁵⁴ it differs in an important and fundamental way, and establishes a lower, appropriate, standard. Notably, the test to determine whether a measure is "justifiable" does not include a comparative analysis between the measure at issue and an alternative measure to determine whether an alternative measure is reasonably available, less trade restrictive, and makes an equivalent contribution to the fulfilment of the objective. It is appropriate for a "justifiable" test to exclude such a comparative element as the ordinary meaning of that term in its context suggests that it supports a test that determines whether a measure is *defensible* and *reasonable*, not whether it is indispensable and the least trade restrictive.

90. Canada cautions that the test for determining whether a special requirement is "unjustifiable" under Article 20 must strike the right balance between ensuring the integrity of the obligation and safeguarding the right to regulate. The test articulated above achieves such a balance.

⁵⁴ Appellate Body Reports, *US – COOL*, paras. 368 - 379; *US – Tuna II (Mexico)*, paras. 311 - 323; *Korea – Various Measures on Beef*, paras. 161 - 166; and *Brazil – Retreaded Tyres*, paras. 156, 178, and 182.

6. Article 17 (Exceptions)

91. While the Parties have not substantively addressed Article 17 at this stage in the panel proceedings,⁵⁵ given that Canada's written participation is limited to this submission, Canada takes the opportunity to provide its views on the correct interpretation of the provision in the event that it is addressed by the Parties at a later date.

92. Article 17 operates like a general exception provision and allows Members to provide limited exceptions to the rights conferred by a trademark. As such, a party asserting that its measure is covered by the exception in Article 17 (i.e. the respondent) will bear the burden of proof.

93. In order to successfully invoke Article 17, a measure must satisfy all three of the following elements:⁵⁶

- It must be found to infringe on the "rights conferred" by a trademark under Section 2 of the TRIPS Agreement;
- It must constitute a "limited exception"; and
- It must take into account the "legitimate interests" of the trademark owner *and* third parties.

94. The first element is a threshold issue determining the scope of application of Article 17. That is, Article 17 provides for limited exceptions only for measures that infringe on "rights conferred" under Section 2 of the TRIPS Agreement (which includes, but is not limited to, the rights conferred under Article 16). Therefore, it is incumbent upon a panel to first determine whether the measure infringes on a "right conferred" under Section 2.

95. The second element of the test involves a determination of whether the measure in issue constitutes a "limited exception". Article 17 includes an example of

⁵⁵ With the exception of Honduras that addresses this provision in a preliminary manner. See Honduras' first written submission, paras. 252 - 257.

⁵⁶ This approach was followed by the panel in *EC – Trademarks and GIs (US)*. See Panel Report, *EC – Trademarks and GIs (US)*, paras. 7.647 - 7.682.

a "limited exception" - fair use of descriptive terms. This singular example is of limited value in guiding interpreters as it represents just one sample of the possible universe of measures that may fall within the scope of "limited exceptions". This example, on its own, cannot be used to create a defining and limiting category of the type of "limited exceptions" that fall within the scope of Article 17. At most, the example in Article 17 illustrates a public policy concern that should be protected. Other public policy concerns may also fall within the scope of acceptable limited exceptions.

96. Two panels have interpreted the term "limited exception" under the TRIPS Agreement and have found it to mean that such exceptions must be narrow and "permit only a small diminution of rights".⁵⁷ Canada respectfully considers that the parameters of the exceptions were interpreted too narrowly.

97. We revisit the meaning of this term in the light of the ordinary meaning of the words in their context. The dictionary definition of "limited" and "exception" are respectively:

- i) Limited: circumscribed within definite limits, bounded, restricted. Of circumstances: narrow
- ii) Exception: The action of excepting (a person or thing, a particular case) from the scope of a proposition, rule, etc.; something abnormal or unusual; contrasted with the rule; something that is excepted; a particular case which comes within the terms of a rule, but to which the rule is not applicable

98. These definitions suggest that a "limited exception" is something that is a departure from the general rule and is limited/restricted. The ordinary meaning of the words in their context does not require a narrow interpretation of this phrase in Article 17 so as to capture *only* the impact on the rights conferred within its scope. Rather, the phrase can, and should, be interpreted to also include measures that

⁵⁷ See Panel Report, *EC-Trademarks and GIs (Australia/US)*, para. 7.650 interpreting Article 17; and Panel Report, *Canada – Pharmaceutical Patents*, paras. 7.29 - 7.31 interpreting Article 30.

may be limited or restricted to a certain category of trademarks or trademark owners.

99. The text indicates that "limited exceptions" are "to the rights conferred". Such rights are conferred on trademark owners and trademarks. Therefore, a finding that a measure restricted in its application to certain trademark owners or trademarks constitutes a "limited exception" would be faithful to the text and the interpretive guidance and direction in TRIPS Articles 7 and 8.1, and paragraph 4 of the Doha Declaration on Public Health.

100. The third and final element of the test requires an examination of whether the "limited exception" takes into account the "legitimate interests" of the trademark owner and third parties. As correctly noted by the panel in *EC – Trademarks and Geographical Indications (US)*, such "interests" of a trademark owner must be something different from full enjoyment of the rights conferred.⁵⁸ Identifying the exact nature of the legitimate interests of the trademark owner in a particular case will necessarily depend upon the rights, measures, and trademarks at issue. Such "interests" may be found to include extracting income from the exploitation of the trademark and preserving the distinctiveness of the trademark.

101. As noted by the panel in *EC – Trademarks and Geographical Indications (US)*, the text of Article 17 not only refers to the legitimate interests of third parties but treats them *on par* with those of the trademark owner.⁵⁹ The population captured by the term "third parties" may vary from case to case depending upon the rights, the trademarks, as well as the measures, in issue. In most cases, the phrase will undoubtedly capture parties that are non-owners of the trademark who may wish to use the mark, and also consumers of the product on which the trademark is used. However, the term may extend in some cases to capture the general public or a certain segment of the general public (e.g. vulnerable groups such as youth) who may be affected not only by the trademark but also the product to which it applies.

⁵⁸ Panel Report, *EC – Trademarks and Geographical Indications (US)*, para. 7.662.

⁵⁹ Panel Report, *EC – Trademarks and Geographical Indications (US)*, para. 7.649.

102. The phrase "take account of" dictates the extent to which the legitimate interests of the trademark owner and third parties is considered by the "limited exception". As identified by the panel in *EC – Trademarks and Geographical Indications (US)*, this phrase establishes a lower standard and regard for legitimate interests than "no unreasonable prejudice" contained in TRIPS Articles 13, 26.2 and 30.⁶⁰

B. The GATT 1994

1. Article IX (Marks of Origin)

103. Cuba asserts that a prohibition on the use of a mark that materially reduces the value of the mark is inconsistent with Article IX:4.⁶¹ Cuba mischaracterizes the nature of the obligation under this provision.

104. First, Article IX:4 disciplines measures relating to "marks of origin". As is evidenced from the title of the Article and the context of paragraph 4 in the text, it is only marks of origin, not the universe of markings on goods, which are disciplined under Article IX:4.⁶² A "mark of origin" is not a trademark or a geographical indication. Rather it is a country of origin marking such as "product of Canada" or "made in Canada".

105. Second, paragraph 4 of Article IX stipulates that a Member's laws and regulations relating to the marking of imported products must permit compliance without, *inter alia*, materially reducing their value. The phrase "permit compliance" in Article IX:4 is the essential, operating, element of the provision. This phrase illustrates the purpose of the provision, which is to discipline *how* compliance with a marking requirement may be prescribed. The provision serves only to limit a Member's laws and regulations relating to marking requirements in terms of *how*

⁶⁰ Panel Report, *EC – Trademarks and Geographical Indications (US)*, para. 7.671.

⁶¹ Cuba's first written submission, paras. 419 - 427.

⁶² Support for this can be found in the Report by the Working Party as adopted by the Contracting Parties at their meeting of 21 November 1958. See in particular, GATT, Report by Working Party as adopted by the Contracting Parties at their meeting of 21 November 1958, GATT Doc L/912/Rev.1, paras. 5 and 6.

compliance with such requirements can be prescribed. It does not discipline whether or to what extent Members may require such markings on imported products.

106. The fact that a restriction or prohibition of a mark on an imported product may result in one of the unwanted consequences listed in Article IX:4 is immaterial. Instead, what is of concern, and what is ultimately disciplined, under the provision is *how* compliance with a marking requirement is achieved (i.e. compliance must be permitted in a manner that avoids the specified undesirable results).

107. The interpretation advanced by Cuba would result in disciplining Members' ability to require or even prohibit marking of imported products. The text of the provision does not support such an interpretation. Further, the Recommendation on Marks of Origin adopted by the GATT Contracting Parties indicates that Members should:⁶³

scrutinize carefully their existing laws and regulations with a view to reducing as far as they possibly can the number of cases in which marks of origin are required, and to limit the requirements of marks of origin to cases where such marks are indispensable for the information of the ultimate purchaser.

108. This recommendation stipulates that Members should reduce obstacles to trade by reducing the number of requirements for marks of origin. This supports the conclusion that a prohibition or restriction on the use of a mark of origin does not violate Article IX:4.

III. CONCLUSION

109. The complainants argue for an interpretation of the TRIPS Agreement that would create new rights for trademark owners, establish new obligations for Members, and erode Members' ability to regulate in the interest of public health - a right that was carefully and purposefully preserved. The interpretations of the TRIPS provisions in issue must not only be faithful to the text but also to the objectives and

⁶³ GATT, Report by Working Party as adopted by the Contracting Parties at their meeting of 21 November 1958, GATT Doc L/912/Rev.1, para. 1.

principles expressed in TRIPS Articles 7 and 8.1, as well as the interpretive direction in paragraph 4 of the Doha Declaration on Public Health.

110. This case raises important systemic issues and will likely have far-reaching consequences for all Members. Therefore, Canada is grateful for this opportunity to offer its views and respectfully requests that the Panel take into consideration the interpretations of the TRIPS Agreement and the GATT 1994 presented in this submission.