

# Is a right to use trademarks mandated by the TRIPS Agreement?

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## ABSTRACT

*In light of recent complaints based on bilateral investment treaties and WTO rules against laws limiting the use of tobacco-related trademarks, this article discusses whether there exists a positive right to use trademarks under the TRIPS Agreement. It examines the claim that Article 20 and other provisions in the TRIPS Agreement should be interpreted as requiring WTO members to recognize such a right. With the aid of WTO jurisprudence, the article concludes that the obligation on members is to only provide negative rights in relation to trademarks. A positive right of use would neutralize the regulatory power of States and prevent them from adopting measures they deem necessary for the protection of public health.*

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The views and opinions reflected in this paper are that of the author alone.

# 1. Introduction

A growing number of countries are adopting legislations that restrict the use of trademarks on tobacco products, including the prohibition on use of certain trademarks such as those of a figurative nature. The purpose of such legislations is to curb smoking and thereby protect the public health. Figurative trademarks may incentivize smoking; given that they are not intended to neutrally distinguish the products of one firm from those of its competitors but to increase the consumption of tobacco products.<sup>1</sup>

Article 11.1(a) of the WHO Framework Convention on Tobacco Control of 2003 (“FCTC”) requires contracting parties to ensure that ‘tobacco product packaging and labeling do not promote a tobacco product by any means that are false, misleading, deceptive or likely to create an erroneous impression about its characteristics, health effects, hazards or emissions, including any term, descriptor, trademark, figurative or any other sign...’<sup>2</sup> Furthermore, Article 13.4(c) of the FCTC more specifically mandates the contracting parties to ‘restrict the use of direct or indirect incentives that encourage the purchase of tobacco products by the public’. The guidelines for the implementation of Article 13 of the FCTC in this regard note:

Promotional effects, both direct and indirect, may be brought about by the use of words, designs, images, sounds and colours, including brand names, trademarks, logos, names of tobacco manufacturers or importers, and colours or schemes of colours associated with tobacco products, manufacturers or importers, or by the use of a part or parts of words, designs, images and colours (para 9).

In their bid to implement FCTC, two countries have introduced measures that, in some way, impede or limit the use of tobacco-related trademarks. These measures have been challenged at international fora. Three companies controlled by Phillip Morris International submitted a complaint under the Uruguay-Switzerland Bilateral Investment Treaty (BIT) against Uruguay.<sup>3</sup> Philip Morris Asia (a company based in Hong Kong) similarly served a notice of claim on the Australian Government under the Hong-Kong –Australia BIT.<sup>4</sup> Further, Ukraine initiated proceedings under the Dispute Settlement Understanding (DSU) of the World Trade Organization (WTO) against Australia.<sup>5</sup> Other tobacco producing countries (Cuba, Honduras, Dominican Republic and Indo-

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1 It has been noted in this regard that ‘[t]here is a solid evidentiary basis to show the link between use of descriptors and colour or imagery and false health beliefs about tobacco...’ Sarah Bennett, “Plain Packaging in Australia: Not Necessarily Compatible with TRIPS”, *Australian Intellectual Property Journal* 22 (2011):83.

2 The FCTC –the only binding instrument adopted under Article 19 of the Constitution of the World Health Organization (WHO) - currently has 180 Parties, [http://www.who.int/fctc/signatories\\_parties/en/](http://www.who.int/fctc/signatories_parties/en/) (accessed December 21, 2015).

3 See *FTR Holdings S.A. (Suiza) y otros v. República Oriental del Uruguay, Caso CIADI n. o ARB/10/7* (July 2, 2013) <http://www.italaw.com/sites/default/files/case-documents/italaw1532.pdf> (accessed December 21, 2015). See Carlos Correa, “Hazards in Bilateral Investment Treaties (BITs): Investors’ Rights v. Public Health,” *South Bulletin No. 69*, (Geneva: South Centre, November 21, 2012).

4 See, e.g., Henning Gross Ruse-Khan, “Litigating Intellectual Property Rights in Investor-State Arbitration: From Plain Packaging to Patent Revocation,” *Max Planck Institute for Innovation and Competition Research Paper Series*, no. 14-13 (2014), <http://ssrn.com/abstract=2463711> (accessed April 12, 2016).

5 *Australia — Certain Measures Concerning Trademarks and Other Plain Packaging Requirements Applicable to Tobacco Products and Packaging*, [https://www.wto.org/english/tratop\\_e/dispu\\_e/cases\\_e/ds434\\_e.htm](https://www.wto.org/english/tratop_e/dispu_e/cases_e/ds434_e.htm) (accessed January 15, 2016).

nesia) also initiated WTO proceedings to challenge the consistency of the Australian legislation with WTO rules.<sup>6</sup>

One of the main arguments articulated in these cases revolves around the nature of the rights that ought to be granted to the owner of a trademark under the Agreement on Trade Related Aspects of Intellectual Property Rights (“TRIPS Agreement”) and the Paris Convention for the Protection of Industrial Property (“Paris Convention”).<sup>7</sup> It is asserted, in particular, that tobacco-related legislation would violate the *right to use* a trademark which, according to the claimants, could be derived from Article 20 of the TRIPS Agreement<sup>8</sup>, as interpreted in light of Articles 2.1, 16.1, and 16.3 of the TRIPS Agreement. A central piece in this type of argumentation is that, in order to give Article 20 a proper meaning, some (positive) right to use a trademark must exist under the TRIPS Agreement, and that the concept of ‘special requirements’ in this Article includes measures that prevent the use of trademarks.

This paper examines these arguments in the context of the policy space left to WTO members to implement measures to protect public health under the TRIPS Agreement.

## 2. Interpreting the obligations under the TRIPS Agreement

The TRIPS Agreement provides for a set of substantive and procedural minimum standards that need to be observed by the WTO members. On considering the scope of the obligations set out by the TRIPS Agreement, three initial considerations are pertinent.

First, the provisions of the TRIPS Agreement must be interpreted in accordance with the interpretive rules of the Vienna Convention on the Law of Treaties (“VCLT”). This is in line with the unambiguous jurisprudence developed under the GATT and WTO. These rules do not allow for an expansive interpretation of the provisions of the TRIPS Agreement, including the trademark section, to imply obligations WTO members have not agreed upon. *A fortiori*, these rules do not allow adding, by way of interpretation, the commitments not accepted by WTO members. Moreover, the role of WTO panels and the Appellate Body is limited to the *clarification* of obligations under the WTO agreements. Rules cannot be created on issues that were left out of the TRIPS Agreement, even if it is considered that additional disciplines would be necessary or convenient to address a particular situation subject to a dispute. As observed in United States — Certain EC Products<sup>9</sup>

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6 Cases DS434 (brought by Ukraine), DS435 (Honduras), DS441 (Dominican Republic), DS458 (Cuba) and DS467 (Indonesia).

7 Article 2.1 of the TRIPS Agreement mandates WTO members to ‘comply with Articles 1 through 12, and Article 19, of the Paris Convention (1967)’.

8 Article 20: ‘The use of a trademark in the course of trade shall not be unjustifiably encumbered by special requirements, such as use with another trademark, use in a special form or use in a manner detrimental to its capability to distinguish the goods or services of one undertaking from those of other undertakings. This will not preclude a requirement prescribing the use of the trademark identifying the undertaking producing the goods or services along with, but without linking it to, the trademark distinguishing the specific goods or services in question of that undertaking’.

9 See Appellate Body Report, *United States – Import Measures on Certain Products from the European Communities*, WT/DS165/AB/R, (January 10, 2001), para. 92, emphasis added.

Pursuant to Article 3.2 of the DSU, the task of panels and the Appellate Body in the dispute settlement system of the WTO is to preserve the rights and obligations of Members under the covered agreements, and to *clarify the existing provisions* of those agreements in accordance with customary rules of interpretation of public international law.

In India — Patents (US),<sup>10</sup> the Appellate Body held:

These rules must be respected and applied in interpreting the *TRIPS Agreement* or any other covered agreement. ... Both panels and the Appellate Body must be guided by the rules of treaty interpretation set out in the *Vienna Convention*, and must not add to or diminish rights and obligations provided in the WTO Agreement.

In this regard, it is to be noted that the trademarks' section of the TRIPS Agreement does not seem to establish a full-fledged trademark law regime. It only sets out obligations in respect of certain aspects of the subject matter.<sup>11</sup> The TRIPS Agreement only requires WTO members to comply with the obligations specifically set out therein. WTO members cannot be obligated to provide a protection broader than what is specifically mandated,<sup>12</sup> nor are they prepared to do so: '*WTO members do not readily embrace the idea that they have agreed to confer rights that are not expressed as such*'.<sup>13</sup>

Second, it should be highlighted that the alleged right to use a trademark is primarily inferred, by their proponents, from Article 20 of the TRIPS Agreement. However, this provision cannot be read in isolation from other provisions of the TRIPS Agreement, including those setting forth its principles and objectives. WTO members have repeatedly expressed the relevance of Articles 7 and 8 to interpret the TRIPS Agreement provisions, particularly as they relate to public health policies.<sup>14</sup> In reviewing the scope of Article 30 of the TRIPS Agreement, the Panel in *Canada- Pharmaceutical Patents*<sup>15</sup> stated that:

Both the goals and the limitations stated in Articles 7 and 8.1 must obviously be borne in mind when doing so as well as those of other provisions of the TRIPS Agreement which indicate its object and purposes (para 7.26).

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10 See Appellate Body Report, *India -- Patent Protection for Pharmaceutical and Agricultural Chemical Products*, WT/DS50/AB/R, (January 16, 1998), para. 46.

11 This is reflected in the title of the TRIPS Agreement itself: 'Agreement on Trade-related Aspects of Intellectual Property Rights' (emphasis added).

12 See Article 1.1 of the TRIPS Agreement.

13 Mark Davison and Patrick Emerton, "Rights, privileges, legitimate interests and justifiability: Article 20 of TRIPS and plain packaging tobacco", *American University International Law Review* 29, 2014, no. 3 : 547, <http://digitalcommons.wcl.american.edu/cgi/viewcontent.cgi?article=1815&context=auilr> (accessed January 15, 2016).

14 See Canada's arguments and various submissions by third parties in *Canada – Patent Protection of Pharmaceutical Products*, WT/DS114/R, March 17, 2000. See also the Communication from the European Communities and their Member States to the Council for Trade-Related Aspects of Intellectual Property Rights (IP/C/W/280, June 12, 2001).

15 See Panel Report, *Canada – Patent Protection of Pharmaceutical Products*, WT/DS114/R (March 17, 2000) para 7.26. In this sense, the Doha Declaration recognized that 'In applying the customary rules of interpretation of public international law, each provision of the TRIPS Agreement shall be read in the light of the object and purpose of the Agreement as expressed, in particular, in its objectives and principles'

Third, while the main objective of the Doha Declaration on TRIPS Agreement and Public Health (“Doha Declaration”) was access to medicines, the same applies to *any* measure relating to the fulfillment of public health objectives. According to para 4 of the Doha Declaration:

[w]e agree that the TRIPS Agreement does not and should not prevent members from taking measures to protect public health. Accordingly, while reiterating our commitment to the TRIPS Agreement, we affirm that the Agreement can and should be interpreted and implemented in a manner supportive of WTO members’ right to protect public health and, in particular, to promote access to medicines for all.

Tobacco-related legislation that may restrict the use of trademarks clearly falls under the category of a ‘measure to protect public health’. Although a ‘declaration’ has no specific legal status within the framework of WTO law and it is not, strictly, an authoritative interpretation in terms of Article IX.2 of the Marrakesh Agreement establishing the WTO, the content and mode of approval of the Doha Declaration indicates that it has the same legal status as an authoritative interpretation. The Doha Declaration can also be regarded as a ‘subsequent agreement’ between the parties under Article 31.3(a) of the VCLT.<sup>16</sup> In the minimum, the Doha Declaration will be an essential part of the context for the interpretation of any provision of the TRIPS Agreement that may have implications in the area of public health.<sup>17</sup> In fact, WTO jurisprudence has already made it clear that WTO members have the right to determine the level of protection of health that they consider “appropriate in a given situation”, adding that the protection of public health is “vital and important in the highest degree” and that “few interests are more vital”.<sup>18</sup>

It is also worth mentioning that in interpreting the scope of WTO obligations, the Appellate Body has taken into account other international agreements. Thus, it has explicitly taken into consideration international conventions and declarations related to living resources, including the United Nations Convention on the Law of the Sea, the Convention on Biological Diversity and the Convention on International Trade in Endangered Species of Wild Fauna and Flora (“CITES”).<sup>19</sup> The

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16 See Appellate Body Report, *United States — Measures Affecting the Production and Sale of Clove Cigarettes*, WT/DS406/AB/R, (April 24, 2012). In *US-Clove Cigarettes* (paras. 251-255), the Appellate Body considered whether the Doha Ministerial Decision on implementation-related issues and concerns constituted an authoritative interpretation under Article IX:2 of the WTO Agreement. It concluded that this was not the case for procedural reasons, but that the declaration could still constitute a subsequent agreement within the terms-of Article 31(3)(a) of the VCLT.

17 According to the European Commission, ‘in the case of disputes (e.g. in the context of WTO dispute settlement procedures) Members can avail themselves of the comfort provided by this Declaration. Panelists are likely to take account of the provisions of the TRIPS Agreement themselves as well as of this complementary Declaration, which, although it was not meant to affect Members’ rights and obligations, expresses the Members’ views and intentions. Hence, the Declaration is part of the context of the TRIPS Agreement, which, according to the rules of treaty interpretation, has to be taken into account when interpreting the Agreement,’ European Commission, *WTO Ministerial Declaration on the TRIPS Agreement and Public Health*. Brussels, European Commission, November 19, 2001.

18 See Appellate Body Report, *European Communities – Measures Affecting Asbestos and Asbestos-Containing Products*, WT/DS135/AB/R (April 5, 2001), paras.168 and 172.

19 See Appellate Body Report, *United States -- Import Prohibition of Certain Shrimp and Shrimp Products*, WT/DS58/AB/R, (November 06, 1998), paras. 130-132. The Appellate body recalled in this case, based on an opinion of the International Court of Justice, that “an international instrument has to be interpreted and applied within the framework of the entire legal system prevailing at the time of the interpretation” (Namibia Advisory Opinion (1971) I.C.J. Rep., 31) (footnote 109 of the AB Report).

FCTC should similarly be taken into account in dealing with WTO controversies relating to measures on tobacco products.

### 3. The context of Article 20

Proponents of the argument that the TRIPS Agreement mandates WTO members to recognize a right to use a trademark fail to provide reference to any provision in the TRIPS Agreement (or the Paris Convention) that specifically alludes to such right. This is because such a provision does not really exist. Of course, an excessively literal interpretation of treaty provisions is not what is required under the rules of the VCLT which mandates to take the object and purpose of the treaty along with the context of a particular provision into account. But in the present instance neither the object and purpose of the TRIPS Agreement, nor the context of Article 20 confirms the existence of such a right to use a trademark.

The *object* of the TRIPS Agreement is to establish *certain minimum* binding standards and not to articulate a comprehensive regime of intellectual property rights. As noted, the TRIPS Agreement only covers certain matters while leaving the rest to the discretion of WTO members as part of their policy space to regulate intellectual property issues. The *purpose* of the TRIPS Agreement is to protect intellectual property rights and *at the same time* to ensure that policy space is retained by WTO members to implement public policies, as is clearly stated under Article 8, as mentioned above.

Various provisions of the trademarks section of the TRIPS Agreement (and of the Paris Convention) are certainly relevant, in accordance with Article 31 of the VCLT, for clarifying the meaning of Article 20 of the TRIPS Agreement. But contextual provisions cannot create, by themselves, an obligation not spelled out in the TRIPS Agreement, which would erode the policy space that the WTO members have retained when adopting that the TRIPS Agreement.

Article 15.4 of the TRIPS Agreement provides that WTO members may not refuse the registration of a trademark because of the nature of the goods or services the mark is applied to. This means that a trademark registration may not be refused merely because a mark identifies, for instance, tobacco products or other products which may be deemed hazardous to public health or whose distribution could be regarded as immoral. The only obligation established by this provision is, however, to ensure registration of a trademark, not to permit its use. Thus no right to use a trademark can be inferred from this provision.

Articles 16.1 and 16.3 may be deemed part of the context for interpreting Article 20 of the TRIPS Agreement as well. Article 16.1, however, only requires WTO members to provide for an ‘exclusive right to prevent all third parties not having the owner’s consent from using in the course of trade identical or similar signs...’. This is clearly a *negative* right. There is no reasonable way in which this provision could be read as obligating WTO members to guarantee a positive right to use a trademark.

Similarly, Article 16.3 of the TRIPS Agreement confirms and expands the protection conferred by the Paris Convention against the *use by third parties* of well-known trademarks. This is, once again, a negative right. The method of interpretation codified by VCLT does not provide any legal basis to derive a positive right to use a well-known trademark from a right to exclude.

A right to use a trademark cannot be derived either from Article 6bis or other provisions of the Paris Convention. In particular, the obligation to refuse or to cancel the registration, and to prohibit the use, *ex officio* or at the request of an interested party, of a ‘well-known’ trademark (Article 6bis (1) of the Paris Convention) cannot be equated to a right to use such trademark.

Similarly, Article 17 of the TRIPS Agreement cannot grant a right to use a trademark. It only refers to uses of a trademark *by third parties* and not by the trademark owner himself. The measures that limit the use of tobacco-related trademarks affect their use by *the trademark owner*. The exceptions to the exclusive rights granted to the owner of a registered trademark that a WTO member may provide for, cannot be read as limiting the sovereign rights preserved under the TRIPS Agreement to regulate the use of trademarks, including restrictions to their use.

Article 19.1 of the TRIPS Agreement also forms part of the context for understanding Article 20. It allows WTO members to require the use of a trademark to maintain a registration and stipulates certain conditions that apply to the cancellation of registration of a trademark in case of non-use. Under Article 19.1, the trademark owner may invoke ‘valid reasons based on the existence of obstacles to such use’ to preserve a trademark:

Circumstances arising independently of the will of the owner of the trademark which constitute an obstacle to the use of the trademark, such as import restrictions or *other government requirements* for goods or services protected by the trademark, shall be recognized as valid reasons for non-use. (Emphasis added)

Article 19.1 only applies when a WTO member requires use as a condition to maintain registration of a trademark.<sup>20</sup> There is, however, no obligation to establish this requirement. In addition, the fact that the trademark owner has an *obligation* (imposed by national law, not by the TRIPS Agreement) to use the trademark for the purpose of conserving its registration is not equivalent to having a *right* to use it. Moreover, Article 19.1 specifically requires WTO members to recognise as valid, reasons for non-use ‘circumstances arising independently of the will of the owner of the trademark which constitute an obstacle to the use of the trademark’. This provision in fact confirms that WTO members have retained their regulatory powers to restrict the use of trademarks. Article 19.2, in turn, just mentions ‘use’ (by another person). It alludes to a factual element, not to a right to use. The only right recognized is to maintain registration.

If WTO members could not impose ‘requirements’ that create an ‘obstacle’ to the use of trademarks, Article 19.1 would be meaningless. Such a reading would be incompatible with the accepted principle of ‘*effet utile*’ on treaty interpretation. The proper (and logical) reading of the TRIPS Agreement is that WTO members preserved the regulatory authority to impede the use of trademarks; the only obligation they have is to consider the obstacles imposed as a valid justification for non-use by a trademark owner if use was required to maintain registration.

In summary, an obligation to provide a positive right to use a trademark cannot be derived from the provisions in the trademarks’ section of the TRIPS Agreement that may be invoked as part

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<sup>20</sup> Tania Voon and Andrew Mitchell, “Implications of WTO Law for Plain Packaging of Tobacco Products” in *Public Health and Plain Packaging of Cigarettes: Legal Issues* ed. Tania Voon et. al. (Cheltenham: Edward Elgar Publishing Limited, 2012), p. 8.

of the context for interpretation of Article 20. On the contrary, Article 19.1 leads to the opposite conclusion.

## 4. An implicit right?

In the absence of a provision in the TRIPS Agreement mandating WTO members to confer a right to use a trademark, the proponents of the theory have been forced to argue that such a right is implicit in the TRIPS Agreement. Some authors contend that Article 20 presupposes or otherwise creates a right to use a trademark. A. Kur has held that ‘a total ban against the use of tobacco trade marks on other products ... would contradict, not the letter, but the *spirit* of international conventions’ (emphasis added).<sup>21</sup> D. Gervais has also argued that ‘the *spirit* of TRIPS is to allow the use of marks’.<sup>22</sup>

An interpretation based on the ‘spirit’ of a treaty is unviable under the principles of treaty interpretation codified by VCLT. These arguments seem to assume that there is something like an ‘international trademark law’ from which certain binding rules can be derived and imposed on the WTO members. The Paris Convention and the TRIPS Agreement, however, only contain a *limited* number of mandatory standards that need to be observed by national trademark regimes. Only those standards, specifically provided for in those treaties, are binding.

A clarification is important at this point. While the rights conferred under Article 16.1 of the TRIPS Agreement may be exercised *against infringing third parties*, the alleged right to use a trademark would be exercised *against the State*. In the case of tobacco-related trademarks, this would limit its regulatory authority to pursue legitimate public health objectives. It is not reasonably conceivable that a right that would constrain the sovereignty of the WTO members in such a way was deemed to be created in an implicit manner or that it could be derived from merely contextual provisions.

The need to take the actual text of a covered treaty into account was stressed in several WTO cases. For instance, in EC-Hormones<sup>23</sup>, it was held that:

The fundamental rule of treaty interpretation requires a treaty interpreter to read and interpret the words actually used by the agreement under examination, not words the interpreter may feel should have been used.

Similarly, in India – Patents (US)<sup>24</sup>, the Appellate Body stated:

The duty of a treaty interpreter is to examine the words of the treaty to determine the intentions of the parties. This should be done in accordance with the principles of treaty

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21 Annette Kur, “The right to use one’s own trade mark: a self-evident issue or a new concept in German, European and international trademark law?”, *European Intellectual Property Review* 18, no.4 (1996): 198, 203

22 D. Gervais, “Analysis of the Compatibility of certain Tobacco Product Packaging Rules with the TRIPS Agreement and the Paris Convention”, *Physicians for a Smoke-Free Canada*, 2010, para. 30 <http://www.smoke-free.ca/trade-and-tobacco/Resources/Gervais.pdf> (accessed December 21, 2015).

23 See Appellate Body Report, EC Measures Concerning Meat and Meat Products (Hormones), WT/DS48/AB/R, (February 13, 1998), para. 181.

24 *India -- Patents (US)* AB Report, *supra* note 10, para. 45.



interpretation set out in Article 31 of the *Vienna Convention*. But these principles of interpretation neither require nor condone the imputation into a treaty of words that are not there or the importation into a treaty of concepts that were not intended.

Significantly, the exclusive rights recognized in the TRIPS Agreement are established through *explicit* provisions in respect of some of the categories of intellectual property protected under the TRIPS Agreement.<sup>25</sup> No WTO member is obliged to grant exclusive rights in areas in the absence of explicit provisions to that effect. Trade secrets protection is an example of this. The reason is that exclusive rights represent such a drastic derogation of the principle of free circulation of ideas and knowledge that they cannot be simply considered to be implicit in the text. The same applies, *a fortiori*, to the case of a right to use which could be exercised against a sovereign State to limit its regulatory autonomy, and not just against private third parties to prevent infringing commercial conduct. In this sense, the Advocate General of the European Court of Justice opined, in a case relating to the validity of the European Tobacco Products Directive, that:

...the essential substance of a trademark right does not consist in an entitlement as against the authorities to use a trademark unimpeded by provisions or public law. On the contrary, a trademark right is essentially a right enforceable against other individuals if they infringe the use made by the holder.<sup>26</sup>

Moreover, if by hypothesis, there was an ambiguity in respect of whether a right to use a trademark is required or not under the TRIPS Agreement, the issue should be addressed under the international law principle of *in dubio mitius*. In case of ambiguity, a treaty provision must be understood in a way that imposes minimum obligations on the parties to the treaty. Any ambiguity must be resolved in the manner that is less onerous for the State parties and which allows them to retain their regulatory power.<sup>27</sup> This means that, in deference to the sovereignty of States, an obligation cannot be assumed if it interferes with the regulatory powers of the State. It cannot be just assumed that WTO members in adopting the TRIPS Agreement surrendered their regulatory powers and consecrated the supremacy of trademark owners' rights over governments' legitimate right to regulate the use of intellectual property.

## 5. The functions of trademarks

One of the considerations made to invoke the existence of a right to use a trademark under the TRIPS Agreement is that the core function of a trademark, i.e. to distinguish the products or services of one undertaking from those of other undertakings, cannot be fulfilled if the trademark is not used.

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25 See in particular Articles 16, 26 and 28 of the TRIPS Agreement.

26 See *The Queen v. Secretary of State for Health, ex parte British American Tobacco (Investments) Ltd and Imperial Tobacco Ltd*, Case C-491/01 (December 10, 2002) para. 266.

27 *EC-Hormones AB Report*, *supra* note 23, which in referring to the principle of *in dubio mitius*, the Appellate Body noted that '[w]e cannot lightly assume that sovereign states intended to impose upon themselves the more onerous, rather than the less burdensome, obligation by mandating *conformity or compliance with* such standards, guidelines and recommendations' (para. 165). The International Court of Justice, in *Frontier Between Turkey and Iraq, Advisory Opinion*, noted that 'If the wording of a treaty provision is not clear, in choosing between several admissible interpretations, the one which involves the minimum of obligations for the parties should be adopted' (1925 P.C.I.J. 25 (ser. B) No. 12, November 21, 1925, p. 25).

However, a large number of registered trademarks are never used. When used, they may serve different functions that are beneficial to producers and consumers, while in some cases they may also negatively affect the public interest, such as when they serve to promote consumption of goods that may create health risks (such as the use of milk powder as a substitute for maternal feeding in poor settings). A (positive) right to use a trademark allegedly conferred *under the TRIPS Agreement* cannot be derived from a conceptual construction about what functions trademarks perform. Any such right could only be derived from the provisions of the TRIPS Agreement itself. In addition, the primary function of distinguishing the goods and services of one undertaking from those of its competitors is achieved through granting and enforcing the negative right to exclude unauthorized uses. A positive right to use would mean nothing if the right holder would be unable to prevent its trademark to be used by third parties without an authorization.

The only requirement under Article 15 of the TRIPS Agreement is to allow for registration of certain signs capable of distinguishing between the goods and services of different undertakings. There is nothing in the TRIPS Agreement requiring WTO members to take measures to preserve the distinctive character of a trademark. Distinctiveness is a *condition* to obtain protection; there is no right to distinctiveness. Moreover, the non-use of a trademark may not lead to a loss of distinctiveness, as a sign may continue to ‘be capable’ of distinguishing the goods or services of an undertaking.

The extent to which a trademark is distinctive is a function of the characteristics of the protected sign and of the trademarks used by competitors, as well as of public perceptions. The wide use of a trademark may or may not enhance its distinctiveness; it may also dilute it.<sup>28</sup> In any case, if it were true that distinctiveness may be enhanced through use, this would still not prove that the TRIPS Agreement requires WTO members to recognize the right to use a trademark.

Further, in accordance with Article 15.1 of the TRIPS Agreement, ‘[m]embers *may* make registrability depend on distinctiveness acquired through use’ (emphasis added). This means that they may or may not give any effect to distinctiveness acquired through use. Hence, a measure that would prevent a sign from acquiring distinctiveness through use does not violate the TRIPS Agreement, since there is no obligation to allow for such an acquisition. In addition, the fact that use may be a condition to acquire distinctiveness does not mean that there is a right to use, but only that WTO members are not obliged to protect trademarks that are not sufficiently distinctive.

Similarly, the TRIPS Agreement defines, under Article 16.3, the special protection available when a trademark has acquired well-known status through use or promotion. It determines the *conditions* for an enhanced protection, but does not create an *obligation* to guarantee preservation of the well-known character of a trademark through a right to use. The only obligation of WTO members is to give owners of well-known trademarks specific protection against third parties, as long as a trademark is deemed to be well-known: ‘[t]he purpose of TRIPS is “to reduce distortions and impediments to international trade,” but it is not the purpose of TRIPS to protect the economic value of particular trademark owners’.<sup>29</sup>

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28 “Trademark dilution is defined as the lessening of the capacity of a famous mark to identify and distinguish goods or services, regardless of the presence or absence of competition between the owner of the famous mark and other parties or of likelihood of confusion.” International Trademark Association, <http://www.inta.org/TrademarkBasics/FactSheets/Pages/TrademarkDilution.aspx> (accessed December 21, 2015).

29 Davison and Emerton, “Rights, Privileges, Legitimate Interests and Justifiability: Article 20 of TRIPS and Plain Packaging Tobacco”.

The TRIPS Agreement requires WTO members to provide for a number of measures against *infringement by third parties* of the rights conferred in relation to the categories of intellectual property dealt with thereunder.<sup>30</sup> However, it does not confer a right to enforce rights *against the States* where protection is obtained. In addition, a prohibition to use a trademark does not prevent its owner to prevent others from using it in a way that may create confusion about the source of the products or services. The enforcement provisions in the TRIPS Agreement, including criminal sanctions, may continue to be applied in cases of infringement.

Finally, it is worth noting that the function of a trademark not only relates to distinctiveness. They are often used –as it is the case with figurative trademarks– with the intent of influencing consumer choice by exploiting their feelings or expectations. In the case of tobacco, trademarks are deliberately used to promote smoking, for example, through messages that evoke health, life style, self-esteem, adventure or dynamism.<sup>31</sup> The TRIPS Agreement cannot be interpreted as supporting an absolute right to use trademarks and preventing governments from adopting measures to protect the public interest.

## 6. Article 20 of the TRIPS Agreement

The above analysis shows that the theory that the TRIPS Agreement obligates WTO members to recognize a right to use a trademark finds no support in its text, when interpreted in accordance with the rules of VCLT. In fact, this conclusion has already been reached in the context of the WTO dispute settlement mechanism.

In EC-Trademarks and Geographical Indications (US)<sup>32</sup>, the Panel dismissed recognition of a positive right to use a trademark under the TRIPS Agreement. It observed the lack of any specific wording granting such a right under Article 24.5 of the TRIPS Agreement. It held that:

...the verb “shall not prejudice” is not capable of supporting this interpretation. It does not provide for the conferral of new rights on trademark owners or GI holders, but provides that the specifically mentioned rights shall not be affected by the measures that are the subject of the provision. *If the drafters had intended to grant a positive right, they would have used positive language.* Indeed, Article 14(2) of the Regulation (which was adopted prior to the end of the TRIPS negotiations) expressly provides that “a trademark ... may continue to be used” under certain conditions. In contrast, there is no language in Article 24.5 of the TRIPS Agreement which would provide for the conferral of a right to use a trademark. Instead, it is a saving provision which ensures that “the right to use a trademark” is not prejudiced, or affected, by measures adopted to implement Section 3 of Part II. Irrespective of how the right to use a trademark arises, there is no obligation under Article 24.5 to confer it (para 7.610). (Emphasis added)

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30 See Part III of the TRIPS Agreement.

31 Enrico Bonadio and Alberto Alemanno, “Plain Packaging of Tobacco Products under EU Intellectual Property Law”, *European Intellectual Property Review* (2012): 8. See also Benn McGrady, “TRIPs and Trademarks: The Case of Tobacco,” *World Trade Review* 3, no. 1 (2004): 57-58.

32 See Panel Report, *European Communities – Protection of Trademarks and Geographical Indications for Agricultural Products and Foodstuffs*, WT/DS174R, (April 20, 2005).

The same argument articulated by the panel in respect of Article 24.5 is applicable to the trademark-related provisions examined above. There is no ‘positive language’ which creates a right to use a trademark. The panel also added in the referred case that:

More specifically, the Panel notes that Article 8 of the TRIPS Agreement sets out the principles of that agreement. Article 8.1 provides as follows:

“1. Members may, in formulating or amending their laws and regulations, adopt measures necessary to protect public health and nutrition, and to promote the public interest in sectors of vital importance to their socio-economic and technological development, provided that such measures are consistent with the provisions of this Agreement.” (para. 7.20)

These principles reflect the fact that the TRIPS Agreement does not generally provide for the grant of positive rights to exploit or use certain subject matter, but rather provides for the grant of negative rights to prevent certain acts. This fundamental feature of intellectual property protection inherently grants Members freedom to pursue legitimate public policy objectives since many measures to attain those public policy objectives lie outside the scope of intellectual property rights and do not require an exception under the TRIPS Agreement. (para 7.210)

While stressing that the grant of ‘negative rights’ is a ‘fundamental feature of intellectual property protection’, the panel rejected the argument that the TRIPS Agreement confers positive rights, such as the right to use a trademark. The panel did acknowledge, however, the possibility that such positive rights may be conferred at the national level: ‘[t]he right to use a trademark is a right that WTO members may provide under national law’ (para 7.611). This is, of course, something completely different from arguing that there is an obligation under the TRIPS Agreement to recognize such right.

The World Intellectual Property Organization has also expressed the view that the TRIPS Agreement only mandates WTO members to grant negative rights:

As was already provided for in Article 7 Paris Convention in respect of goods, and has been confirmed and extended by Article 15.4 of the TRIPS Agreement, Members may not refuse the registration of a trademark because of the nature of the goods or services the mark is applied to. Thus, a trademark registration may not be refused merely because the mark identifies products which could be considered immoral, dangerous or otherwise undesirable.

This does, of course, not mean that governments cannot regulate the sale of the goods bearing trademarks. Rather, this rule reflects the nature of intellectual property rights as essentially negative rights – i.e. rights to prevent the use of a trademark by other parties – and not as positive rights to sell or market products.<sup>33</sup>

A right to use a trademark cannot be derived from Article 20 of the TRIPS Agreement. The Article allows WTO members to World Intellectual Property Organisation, *Introduction to Trademark Law*

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33 World Intellectual Property Organisation, *Introduction to Trademark Law & Practice: The Basic Concepts: A WIPO Training Manual* (Geneva: WIPO, 1993), 51-52.

& Practice: The Basic Concepts: A WIPO Training Manual (Geneva: WIPO, 1993), 51-52. take a measure that is justifiable with regard to the use of trademarks, including measures that may impair the distinctive character of a trademark. As noted by Pires de Carvalho, ‘governments may adopt encumbrances that are detrimental to the distinctiveness of marks. They can do so provided that they have a justification’.<sup>34</sup> In other words, governments may not be prevented from taking justifiable measures on the ground that the distinctive character of a trademark may be negatively affected. Article 20 only requires a justification when it is established that certain ‘special requirements’ encumber the use of a trademark in the course of trade. Since the premise of this provision is the regulatory autonomy of WTO members, the burden of proof that a measure is not justified should be borne by a complaining WTO member, not by the member adopting the challenged measure.

An important question is whether Article 20 only applies to cases where the use of a trademark is permitted but ‘encumbered by special requirements’, or whether it also applies when the use of a trademark is banned. The wording of Article 20, clearly alludes to ‘special requirements’ and provides examples thereof. There is nothing in the wording of Article 20, interpreted under the rules of VLCT, which would permit the interpreter to consider that *prohibitions* on the use of a trademark are also covered.<sup>35</sup> The text clearly addresses a hypothesis where the use is permitted but ‘encumbered’. A contrary conclusion could only be reached at through a distortion of the language used in the provision. Article 20 ‘prevents only measures that impose positive obligations upon the trademark owner, but does not prevent measures in the form of prohibitions on use’.<sup>36</sup> As noted by Pires de Carvalho:

Article 20 (like Article 8.1) is about government regulation and its limits. Article 20 does not supersede the rights of WTO Members to organize their economies as they see fit. Article 20, therefore, does not oblige WTO Members to authorize the commercialization of all branded products and services - otherwise, the provisions of Article 15.4, which imply that some goods or services may be excluded from commercialization, and of Article 19.1, which refer to restrictions to commercialization, would make no sense. Nor does Article 20 provide, explicitly or implicitly, that WTO Members are obliged to recognize the right to use trademarks, even if commercialization of goods is permitted.<sup>37</sup>

As mentioned, the TRIPS Agreement only covers certain aspects of intellectual property rights. There are many matters that are not dealt with at all. The fact that a particular situation was not regulated—as is the case of a ban on the use a trademark—simply means that it was left to WTO members to legislate on that situation, without interference from the WTO rules. There is extensive literature on the ‘flexibilities’ of the TRIPS Agreement that discusses which areas are subject

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34 Nuno Pires de Carvalho, *The TRIPS Regime of Trademarks and Designs*, (Laiden: Kluwer Law International, 2011), para 20.22.

35 The history of negotiations dealing with the adoption of this provision confirms this interpretation. See, e.g., UNCTAD/ICTSD, *Resource Book on TRIPS and Development* (Cambridge University Press, 2005).

36 McGrady, “TRIPs and Trademarks: The Case of Tobacco”, 62.

37 Carvalho, *The TRIPS Regime of Trademarks and Designs*, para. 20.1. See also McGrady, “TRIPs and Trademarks: The Case of Tobacco”; Justin Malbon, Charles Lawson and Mark Davison, *The WTO Agreement on Trade-related Aspects of Intellectual Property Rights. A Commentary* (Cheltenham: Edward Elgar, 2014), para. 20.4; Mark Davison and Patrick Emerton, “Rights, Privileges, Legitimate Interests and Justifiability: Article 20 of TRIPS and Plain Packaging Tobacco”; Enrico Bonadio and Alberto Alemanno, “An Analysis of Plain Packaging of Tobacco Products under EU Intellectual Property Law”; Carlos Correa, *Trade Related Aspects of Intellectual Property Rights*, (Volume VI of Commentaries on the GATT/WTO Agreements (Oxford: Oxford University Press, 2007), 186.

to its rules and which are not.<sup>38</sup> Prohibition on the use of trademarks is one such unregulated area where the concept of ‘flexibilities’ of the TRIPS Agreement fully apply.

The final issue is whether an arbitral tribunal would be empowered to develop a binding interpretation of Article 20 or other provisions of the TRIPS Agreement in a dispute settled under a BIT. As mentioned, the violation of the TRIPS Agreement has been invoked in investment cases against Uruguay and Australia. A key consideration in this regard is that, in accordance with Article 23 of the DSU, any dispute arising with regard to compliance with a ‘covered agreement’ is subject to the sole jurisdiction of the WTO Dispute Settlement Body. As noted in Australia’s Response to Notice of Arbitration (21 December, 2011) in *Philip Morris Asia v. Australia*,

It is not the function of a dispute settlement provision such as that contained at Article 10 of the BIT to establish a roving jurisdiction that would enable a BIT tribunal to make a broad series of determinations that would potentially conflict with the determinations of the agreed dispute settlement bodies under the nominated multilateral treaties.<sup>39</sup>

There is a potential risk that interpretations made by arbitral tribunals in accordance with BITs’ rules, in a completely different context, influence those under the WTO dispute settlement mechanism. However, such risk is limited by the constraint imposed on WTO panels, *inter alia*, by Article 3.2 of DSU and adherence of the WTO bodies to the customary principles of treaty interpretation enshrined in VCLT.<sup>40</sup>

## 7. Conclusions

Accepting the notion that a positive right to use a trademark is implicitly recognized by the TRIPS Agreement would have systemic implications in the context of WTO. On one hand, it would mean that the interpretative rules of VCLT are replaced by expansive standards of interpretation and that the expressed will of the WTO members is ignored. On the other, it would mean that a public policy, including in the vital area of public health, could be overridden by an alleged private right to use intellectual property. If this were the case, for instance, a patent owner could not be prevented from using his patented invention even if damaging to the environment or public health.

However, the TRIPS Agreement does not oblige WTO members to confer a right to use a trademark. Such a right would nullify the sovereign right to regulate—including prohibition of the use of trademarks- which is a right that WTO members retained under that Agreement. Sovereign States cannot be deemed to have given up their regulatory rights except to the extent that they have explicitly agreed to restrict them, as under Article 20 of the TRIPS Agreement.

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38 See Germán Velásquez, Correa Carlos and Seuba, Xavier, *IPR, R&D, Human Rights and Access to Medicines - An Annotated and Selected Bibliography* (Geneva: South Centre, 2012).

39 See Australia’s Response to the Notice of Arbitration, *Philip Morris Asia Limited vs. The Commonwealth of Australia*, UNCITRAL, PCA Case No. 2012-12, December 21, 2011.

40 See, Carlos Correa, “Impact of the Economic Partnership Agreements on WTO law,” in *EU Bilateral Trade Agreements & Intellectual Property For Better or Worse*, ed. Josef Drexl, Henning Grosse Ruse-Khan and Souheir Nadde-Phlix (Cham: Springer MPI Studies series, 2013).

While a right to use a trademark would curtail the policy space retained by WTO members to pursue public policy objectives, the exclusive rights guaranteed under Article 16.1 of the TRIPS Agreement only limit private commercial acts that may affect the interests of the trademark owner. It is hard to think that the drafters of the TRIPS Agreement agreed to create a right to use a trademark—nonexistent under the Paris Convention—that is enforceable against the State without even mentioning it.