



25 July 2018

(18-4720)

Page: 1/6

Original: English

**AUSTRALIA – CERTAIN MEASURES CONCERNING TRADEMARKS,  
GEOGRAPHICAL INDICATIONS AND OTHER PLAIN PACKAGING REQUIREMENTS  
APPLICABLE TO TOBACCO PRODUCTS AND PACKAGING**

**NOTIFICATION OF AN APPEAL BY HONDURAS UNDER ARTICLE 16.4 AND ARTICLE 17  
OF THE UNDERSTANDING ON RULES AND PROCEDURES GOVERNING THE  
SETTLEMENT OF DISPUTES (DSU), AND UNDER RULE 20(1) OF THE  
WORKING PROCEDURES FOR APPELLATE REVIEW**

The following communication, dated 19 July 2018, from the delegation of Honduras, is being circulated to Members.

---

Pursuant to Articles 16.4 and 17 of the *Understanding on Rules and Procedures Governing the Settlement of Disputes* ("DSU") and Rule 20 of the *Working Procedures for Appellate Review* (WT/AB/WP/6, 16 August 2010) ("Working Procedures"), Honduras hereby notifies the Dispute Settlement Body ("DSB") of its decision to appeal certain issues of law and legal interpretation in the Panel Report in *Australia – Certain Measures Concerning Trademarks, Geographical Indications and Other Plain Packaging Requirements Applicable to Tobacco Products and Packaging* (WT/DS435) ("Panel Report").

Pursuant to Rules 20(1) and 21(1) of the Working Procedures, Honduras files this Notice of Appeal together with its Appellant Submission with the Appellate Body Secretariat.

Pursuant to Rule 20(2)(d)(iii) of the Working Procedures, this Notice of Appeal includes an indicative list of the paragraphs of the Panel Report containing the alleged errors, without prejudice to Honduras' ability to rely on other paragraphs of the Panel Report in its appeal.

Honduras seeks the Appellate Body's review of the Panel's conclusions that Honduras has not demonstrated that Australia's Tobacco Plain Packaging measures, as identified in Honduras' request for the establishment of a panel (the "TPP measures" or "plain packaging measures"), are inconsistent with Australia's obligations under Articles 20 and 16.1 of the Agreement on Trade-Related Aspects of Intellectual Property Rights ("TRIPS Agreement");<sup>1</sup> and Article 2.2 of the Agreement on Technical Barriers to Trade ("TBT Agreement").<sup>2</sup>

In particular, Honduras has identified the following errors of law and legal interpretation, including the failure of the Panel to make an objective assessment of the matter as required by Article 11 of the DSU.

**I. REVIEW OF THE PANEL'S FINDINGS UNDER THE TRIPS AGREEMENT**

**1. The Panel's interpretation and application of the term "unjustifiably" in Article 20 of the TRIPS Agreement is in error**

Honduras appeals the Panel's finding that Honduras has not demonstrated that the TPP measures are inconsistent with Article 20 of the TRIPS Agreement since this finding is based on an erroneous

---

<sup>1</sup> Panel Report, paras. 8.1(d) and (e).

<sup>2</sup> Panel Report, para. 8.1(a).

legal interpretation of the term "unjustifiably" in Article 20. In addition, and in the alternative, the Panel's application of Article 20 of the TRIPS Agreement to the plain packaging measures constitutes an error of law.

First, the Panel's interpretation of the term "unjustifiably" as referring to "good reasons" sufficient to support special requirements encumbering the use of a trademark is in error.<sup>3</sup> The Panel fails to interpret the term "unjustifiably" on the basis of its ordinary meaning, in the context of Section 2 of the TRIPS Agreement on trademarks, and in the light of the object and purpose of the TRIPS Agreement. In addition, the Panel errs in law in its analysis by finding that paragraph 5 of the Doha Declaration on the TRIPS Agreement and Public Health constitutes a subsequent agreement under Article 31.3(a) of the Vienna Convention on the Law of Treaties.<sup>4</sup>

Second, and in the alternative, should the Appellate Body find that the Panel's legal interpretation was correct, the Panel errs in law in the application of Article 20 of the TRIPS Agreement to the plain packaging measures.<sup>5</sup> In particular, among others:

- The Panel errs in its failure to focus the analysis on the impact on the distinguishing function of a trademark.<sup>6</sup>
- The Panel errs in its application of Article 20 of the TRIPS Agreement to the product as its finding are focused on the packaging only.<sup>7</sup>
- The Panel errs in its examination of available alternative measures that are less trademark encumbering while providing an equivalent contribution;<sup>8</sup>
- The Panel errs by relying on non-covered agreements to justify the plain packaging measures.<sup>9</sup>

Honduras requests the Appellate Body to reverse the Panel's findings under Article 20 of the TRIPS Agreement, which are vitiated by the above errors of law and legal interpretation,<sup>10</sup> and thus to declare moot and of no legal effect the Panel's findings that Honduras has not demonstrated that the TPP measures are inconsistent with Article 20 of the TRIPS Agreement.<sup>11</sup>

## **2. The Panel's interpretation and application of the "rights conferred" under Article 16.1 of the TRIPS Agreement is in error**

Honduras appeals the Panel's finding that Honduras has not demonstrated that the TPP measures are inconsistent with Article 16.1 of the TRIPS Agreement.<sup>12</sup> This finding is based on an erroneous legal interpretation of the "rights conferred" by Article 16.1 and the related obligation on Members to ensure the minimum guaranteed level of protection for trademark owners, and is vitiated by an error of law in the application of Article 16.1 of the TRIPS Agreement to the plain packaging measures.

First, the Panel's interpretation of Article 16.1 of the TRIPS Agreement on the "rights conferred" to trademark owners is in error, as the Panel fails to interpret this provision in good faith, based on the ordinary meaning of all of the terms used, in their context, and in the light of the object and purpose of the TRIPS Agreement.<sup>13</sup> The Panel's erroneous approach led to a number of related errors of law, including among others the following:

<sup>3</sup> Panel Report, paras. 7.2394-7.2396, 7.2430, and related paras. 7.2439-7.2442, and 7.2492-7.2508.

<sup>4</sup> Panel Report, paras. 7.2409-7.2411.

<sup>5</sup> Panel Report, paras. 7.2556-7.2574, 7.2586-7.2589, and 7.2590-7.2606.

<sup>6</sup> See, e.g. Panel Report, paras. 7.2569-7.2571, and 7.2604-7.2606.

<sup>7</sup> See, e.g. Panel Report, para. 7.2570.

<sup>8</sup> See, e.g. Panel Report, paras. 7.2600-7.2601.

<sup>9</sup> See, e.g. Panel Report, paras. 7.2595-7.2596, and 7.2604.

<sup>10</sup> See, e.g. Panel Report, paras. 7.2393-7.2431, and 7.2556-7.2606.

<sup>11</sup> Panel Report, paras. 7.2606, and 8.1(e).

<sup>12</sup> Panel Report, para. 8.1(d).

<sup>13</sup> Panel Report, paras. 7.1966-7.2032, and 7.2051.

- The Panel errs in finding that Article 16.1 of the TRIPS Agreement does not protect the distinctiveness of a trademark.<sup>14</sup>
- The Panel errs in finding that Article 16.1 of the TRIPS Agreement is not engaged and can therefore not be violated unless there is a risk of actual confusion.<sup>15</sup>

Second, the Panel errs in its application of Article 16.1 of the TRIPS Agreement to the plain packaging measures as it does not consider it necessary to address the relevant question of whether the plain packaging measures reduce the distinctiveness of the trademark and its scope of protection such that the level of protection falls below the minimum level that Members are required to guarantee under Article 16.1 of the TRIPS Agreement.<sup>16</sup> The Panel's erroneous exercise of judicial economy is an error of law. In addition, as a result of this false exercise of judicial economy, the Panel also fails to comply with its obligation under Article 11 of the DSU to make an objective assessment of the matter.

Honduras requests the Appellate Body to reverse the Panel's findings which are vitiated by the above errors of law and legal interpretation, and thus to declare moot and of no legal effect also the Panel's finding that Honduras has not demonstrated that the TPP measures are inconsistent with Australia's obligations under Article 16.1 of the TRIPS Agreement.<sup>17</sup>

## II. REVIEW OF THE PANEL'S FINDINGS UNDER ARTICLE 2.2 OF THE TBT AGREEMENT

Honduras appeals the Panel's finding that Honduras has not demonstrated that the plain packaging measures are inconsistent with Article 2.2 of the TBT Agreement.<sup>18</sup> The Panel's finding is vitiated by a number of errors of law and legal interpretation with respect to each aspect of the enquiry under Article 2.2 of the TBT Agreement relating to (1) the trade-restrictive nature of the plain packaging measures; (2) the degree of contribution by the plain packaging measures to the legitimate objective of Australia; and (3) the availability of less trade-restrictive alternative measures that provide an equivalent contribution to that legitimate objective.

### 1. The Panel's interpretation of the term "trade-restrictive" in Article 2.2 of the TBT Agreement and its application to the TPP measures is in error

The Panel errs in its interpretation and application of the term "trade-restrictive" in Article 2.2 of the TBT Agreement, and Honduras therefore requests the Appellate Body to modify the Panel's conclusion that the plain packaging measures are trade restrictive.<sup>19</sup> In particular, among others, the Panel commits the following errors of law and legal interpretation:

- The Panel errs in its finding that a modification or distortion of conditions of competition or the competitive opportunities for imported products is only a "trade" distortion if it *de jure* restricts imports or is discriminatory in nature.<sup>20</sup>
- The Panel errs in imposing a different and higher evidentiary standard of demonstrating actual trade effects for measures that are not challenged as being discriminatory in nature and by thus requiring that evidence must be adduced of actual trade effects of the plain packaging measures on prices and sales to demonstrate that this distortion amounts to a restriction on trade.<sup>21</sup>

<sup>14</sup> See, e.g. Panel Report, paras. 7.2005-7.2016.

<sup>15</sup> See, e.g. Panel Report, paras. 7.2000, and 7.2010.

<sup>16</sup> Panel Report, paras. 7.2015, and 7.2032.

<sup>17</sup> Panel Report, para. 8.1(d).

<sup>18</sup> Panel Report, paras. 8.1(a), and 7.1724-7.1732.

<sup>19</sup> Panel Report, paras. 7.1071-7.1089, and 7.1160-7.1255.

<sup>20</sup> Panel Report, paras. 7.1166-7.1168, 7.1196-7.1197, 7.1214-7.1218, and 7.1255.

<sup>21</sup> Panel Report, paras. 7.1074-7.1075, 7.1166, 7.1208, and 7.1255.

## **2. The Panel's application of the legal standard with respect to the degree of contribution to the TPP measures is in error**

The Panel errs in its application of the legal standard for assessing the degree of contribution of the plain packaging measures.<sup>22</sup> In particular, among others, the Panel commits the following errors:

- The Panel errs by examining the degree of contribution of the measures to the specific "mechanisms" by which the measures were expected to achieve the objective rather than by examining the degree of contribution to the fulfilment of the legitimate objective as identified.<sup>23</sup>
- The Panel errs when failing to examine the "actual" contribution of the plain packaging measures instead basing its finding on unsubstantiated speculation about an uncertain future impact of the measures "over time" without any qualitative or quantitative projections supported by sufficient evidence.<sup>24</sup>
- The Panel errs by not determining the degree of contribution of the challenged plain packaging measures themselves.<sup>25</sup>
- The Panel errs in its application of the legal standard it set for itself for examining the evidence.<sup>26</sup>

Honduras requests the Appellate Body to reverse the Panel's findings on the degree of contribution of the plain packaging measures since these are vitiated by the above errors of law and legal interpretation.<sup>27</sup>

## **3. The Panel errs in law in its interpretation and application of Article 2.2 of the TBT Agreement with respect to the availability of less trade-restrictive alternative measures**

The Panel errs in its interpretation and application of Article 2.2 of the TBT Agreement with respect to the availability of less trade-restrictive alternative measures that provide an equivalent contribution to the legitimate objective.<sup>28</sup> In particular, among others, the Panel commits the following legal errors:

- The Panel errs in its interpretation and examination of whether the alternative measures that were presented by Honduras were less "trade restrictive" by failing to examine their impact on the conditions of competition and on competitive opportunities, instead unduly focusing on their degree of contribution to the objective.<sup>29</sup>
- The Panel errs in its interpretation and application of the legal standard for assessing whether the alternative measures provided an "equivalent" contribution to the challenged measures. In particular:
  - The Panel fails to examine the degree of contribution of the proposed alternative measures in light of the legitimate objective as identified;<sup>30</sup>

<sup>22</sup> Panel Report, paras. 7.483-7.1045.

<sup>23</sup> See, e.g. Panel Report, paras. 7.1024-7.1034.

<sup>24</sup> Panel Report, para. 7.1044.

<sup>25</sup> See, e.g. Panel Report, paras. 7.974, 7.1036, and 7.1043.

<sup>26</sup> See, e.g. Panel Report, paras. 7.499, 7.622, 7.643-644, 7.660, 7.695, and 7.697.

<sup>27</sup> Panel Report, paras. 7.1024-7.1045, and 7.1724-7.1732.

<sup>28</sup> Panel Report, paras. 7.1362-7.1723, and 7.1724-7.1732.

<sup>29</sup> See, e.g. Panel Report paras. 7.1411-7.1417 (MLPA); and 7.1490-7.1495 (Taxation increase).

<sup>30</sup> See, e.g. Panel Report, paras. 7.232. (Defining the legitimate objective); 7.1459-7.1460, 7.1464, 7.1468-1471 (MLPA); and 7.1526-7.1527, 7.1531, 7.1542-7.1545 (Taxation increase).

- The Panel errs by requiring that the alternative measures provide an identical contribution as a "substitute" to the challenged measures, rather than an "equivalent" contribution;<sup>31</sup>
- The Panel errs by requiring a greater degree of contribution by the proposed alternatives;<sup>32</sup> and
- The Panel errs when applying a different standard for assessing equivalence depending on whether a measure is part of a suite of measures.<sup>33</sup>

Honduras requests the Appellate Body to reverse the Panel findings on the availability of less trade restrictive alternative measures which are vitiated by the above errors of law and legal interpretation.<sup>34</sup>

### III. REVIEW OF THE PANEL'S ASSESSMENT OF THE EVIDENCE ON THE DEGREE OF CONTRIBUTION OF THE TPP MEASURES

Honduras requests the Appellate Body's review of the assessment the Panel made of the evidence that was presented on the degree of contribution of the plain packaging measures to the achievement of Australia's identified legitimate objective. Honduras submits that the Panel fails to conduct an "objective examination" of the evidence on the plain packaging measures' contribution to the objective of reducing the use of tobacco products in violation of its obligation under Article 11 of the DSU. In particular, among others:

- The Panel fails to provide a reasoned and adequate explanation of how the facts before it supported the conclusion that the plain packaging measures were apt to, and do, make a meaningful contribution to their legitimate objective because, *inter alia*:
  - The Panel's own findings on actual smoking behaviour, proximal and distal outcomes do not support its conclusion.<sup>35</sup>
  - The Panel's intermediate findings on the effect of the plain packaging measures are not based on the totality of the evidence on the record and are not supported by a reasoned and adequate explanation;
  - The Panel's findings on the effects of the measures "over time" are not based on any quantitative or qualitative analysis or reasoned explanation supported by sufficient evidence;
  - The Panel's intermediate findings on the relevance of the behavioural science theories are internally inconsistent and not supported by a reasoned and adequate explanation;
  - The Panel's findings on the contribution of the measures to the reduction in cigar smoking do not have a sufficient basis in the evidence on the record and are not supported by a reasoned and adequate explanation.
- The Panel disregards, ignores and misrepresents the evidence presented by the complainants.

<sup>31</sup> See, e.g. Panel Report, paras. 7.1455-7.1461, 7.1464 (MLPA); and 7.1526-7.1527, 7.1529, 7.1531 (Taxation increase).

<sup>32</sup> See, e.g. Panel Report, paras. 7.1376, 7.1391, 7.1461, 7.1528, and 7.1721-7.1722.

<sup>33</sup> Panel Report, paras. 7.1376-7.1391.

<sup>34</sup> See, e.g. Panel Report, paras. 7.1468-7.1471 (MLPA); 7.1542-7.1545 (Taxation increase); and 7.1724-7.1732 (Overall conclusion).

<sup>35</sup> Panel Report, paras. 7.945-7.958 and Appendix A (Proximal outcomes); 7.959-7.963 and Appendix B (Distal outcomes); 7.968-7.972 and Appendix C (Smoking prevalence); paras. 7.973-7.979 and Appendix D (Consumption and sales impact); 7.980-7.986 and 7.1024-7.1045 (Overall conclusions); see also Panel Report: Appendix A, paras. 86-87; Appendix B, paras. 120-121; Appendix C, paras. 123-124; and Appendix D, paras. 137-138 (leading to the unqualified finding in para. 7.1043 of the Panel Report on actual smoking behaviour).

- The Panel fails to examine the evidence on contribution in an even-handed manner and applies a double standard of proof in favour of Australia.
- The Panel fails to respect the due process rights of the parties by not exercising its authority under Article 14.2 of the TBT Agreement or Article 13 of the DSU to appoint a technical expert and by instead relying on a "ghost expert" raising alleged "robustness" concerns not identified by any of the parties without ever offering the parties an opportunity to comment on or subsequently review the concerns and methodologies of this ghost expert.

Honduras therefore requests the Appellate Body to reverse the Panel's findings and conclusions relating to the degree of contribution of the measures in the Panel Report and its Appendices,<sup>36</sup> as such findings were not the result of an objective assessment of the matter. The failure to objectively assess the evidence vitiates the Panel's findings on the degree of contribution of the measures and thus its findings under Article 2.2 of the TBT Agreement and Article 20 of the TRIPS Agreement, which should therefore be reversed.

For this reason as well, Honduras requests the Appellate Body to declare moot and of no effect the Panel's findings that Honduras has not demonstrated that the TPP measures are inconsistent with Australia's obligations under Article 2.2 of the TBT Agreement,<sup>37</sup> and the related finding that Honduras has not demonstrated that the TPP measures are inconsistent with Australia's obligations under Article 20 of the TRIPS agreement.<sup>38</sup>

---

---

<sup>36</sup> Panel Report, paras. 7.1024-7.1045 and Appendices.

<sup>37</sup> Panel Report, paras. 7.1732, and 8.1(a).

<sup>38</sup> Panel Report, paras. 7.2606, and 8.1(e).