Lawrence Kogan on

Hong Kong's Draft Infant Formula & Complementary Foods Marketing Code Violates WTO Law (Part 3 of 3)

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Hong Kong's Draft Infant Formula & Complementary Foods Marketing Code Violates WTO Law
(Part 3 of 3)

By

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I. Introduction

Part 1 of this article discusses how the various *food safety*-related provisions of the *Hong Kong Code of Marketing and Quality of Formula Milk and Related Products, and Food Products for Infants & Young Children*[1] ("the Draft HK Code") violate the WTO Sanitary and Phytosanitary ("SPS") Agreement.[2] In particular, it focuses on how the Government of the Hong Kong Special

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1 *See* Government of the Hong Kong Special Administrative Region, Department of Health, *Public consultation on the HK Code of Marketing and Quality of Formula Milk and Related Products, and Food Products for Infants and Young Children*, Press Release (Oct. 26, 2012), available at: http://www.dh.gov.hk/english/press/2012/121026.html

2 *See* Lawrence A. Kogan, *Hong Kong's Draft Infant Formula & Complementary Foods Marketing Code Violates WTO Law, Part 1 – The Draft HK Code Violates the SPS Agreement*, LexisNexis (2013), available at: . Part 1 of this article discussed the Draft HK

Administrative Region ("the GHK-SAR") has failed to substantiate with scientific evidence, on *food safety* grounds, the Draft HK Code's effective imposition of a 30-month marketing ban on follow-up formula and complementary food products intended for infants and young children up to 36 months of age.

Part 2 of this article discusses how the various *non*-food-safety-related provisions of the Draft HK Code violate the WTO Technical Barriers to Trade ("TBT") Agreement.[3] In particular, it focuses on how the Draft HK Code's 30-month marketing ban on follow-up formula and complementary food products creates unnecessary obstacles to trade. It also explains how the GHK-SAR failed to identify and consider reasonably available less trade-restrictive alternatives to such measures that are capable of achieving the Draft HK Code's legitimate *non*-food safety-related policy objectives with little, if any, risk they would be unfulfilled.

Part 3 of this article discusses how the Draft HK Code's prohibitions and restrictions on the use of trademarks, trade names, logos, symbols, etc. (word marks and non-word marks) in informational/educational materials about branded products and infant and young child feeding, on product containers and labels, and in general public promotional activities, including advertising, violate the WTO Trade Related Aspects of Intellectual Property Rights ("TRIPS") Agreement.[4]

One of the key goals of the TRIPS Agreement, as reflected in TRIPS Articles 7 and 8, is to establish and maintain "a balance between [private] intellectual property rights and other important socio-economic public policies of WTO Member governments"[5] - i.e., to establish a balance between rights and obligations, both within and outside the WTO TRIPS regime.[6] However, this narrow goal

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Code's food safety purpose of "protect[ing] human…life or health within the territory of the Member from risks arising from additives, contaminants, toxins or disease-causing organisms in foods". *See* SPS Agreement Annex A(1)(b).

3 *See* Lawrence A. Kogan, *Hong Kong's Draft Infant Formula & Complementary Foods Marketing Code Violates WTO Law, Part 2 – The Draft HK Code Violates the TBT Agreeme*nt, LexisNexis (2013), available at: . Part 2 of this article discussed the Draft HK Code's non-food-safety purposes of protecting public health and preventing deceptive practices within the meaning of TBT Article 2.2.

4 See *Agreement on Trade-Related Aspects of Intellectual Property Rights*, (Apr. 15, 1994), Marrakesh Agreement Establishing the World Trade Organization, Annex 1C, The Legal Texts: The Results of the Uruguay Round of Multilateral Trade Negotiations, 1869 U.N.T.S. 299, 33 I.L.M. 1197 (1994) [hereinafter TRIPS] at http://www.wto.org/english/docs_e/legal_e/27-trips.pdf.

5 *See* Panel Report, *Canada-Patent Protection of Pharmaceutical Products*, WT/DS114/R (Mar. 17, 2000), at pars. 7.24-7.26, (discussing the contrasting views of Canada and the European Communities concerning the meaning of TRIPS Articles 7 and 8). "In the view of Canada, the italicized text of Article 7 above declares that one of the key goals of the TRIPS Agreement was a balance between the intellectual property rights created by the Agreement and other important socio-economic policies of WTO Member governments. Article 8 elaborates the socio-economic policies in question, with particular attention to health and nutritional policies. With respect to patent rights, Canada argued, these purposes call for a liberal interpretation of the three conditions stated in Article 30 of the Agreement, so that governments would have the necessary flexibility to adjust patent rights to maintain the desired balance with other important national policies." *Id*., at par. 7.24. "The EC did not dispute the stated goal of achieving a balance within the intellectual property rights system between important national policies. But, in the view of the EC, Articles 7 and 8 are statements that describe the balancing of goals that had already taken place in negotiating the final texts of the TRIPS Agreement. According to the EC, to view Article 30 as an authorization for governments to 'renegotiate' the overall balance of the Agreement would involve a double counting of such socio-economic policies. In particular, the EC pointed to the last phrase of Article 8.1 requiring that government measures to protect important socio-economic policies be consistent with the obligations of the TRIPS Agreement." *Id*., at par. 7.25.

6 *See* Peter Yu, *The Objectives and Principles of the TRIPS Agreement*, 46 Hous. L. Rev. 979 (2009), available at: http://papers.ssrn.com/sol3/papers.cfm?abstract_id=1398746. "Although there is a tendency for policymakers to strike a balance within the TRIPS regime, Article 7 mentions broadly '[t]he protection and enforcement of intellectual property rights'. The provision therefore anticipates further balancing within the larger international trading system. As the WTO panel declared

must be understood in light of the TRIPS Agreement's broader goal of "reduc[ing] distortions and impediments to international trade",[7] which is to be achieved by balancing "the need to promote effective and adequate protection of intellectual property rights", with the need "to ensure that measures and procedures to enforce intellectual property rights do not themselves become barriers to legitimate trade."[8]

TRIPS Article 15.1 provides that trademarks can potentially consist of "[a]ny sign, or any combination of signs, capable of distinguishing the goods or services of one undertaking from those of other undertakings."[9] "[S]igns, in particular words", can include "personal names, letters, numerals, figurative elements and combinations of colours as well as any combination of such signs."[10]

Draft HK Code Articles 4, 5 and 8 prohibit, restrict and/or prescribe the use of proprietary company trademarks, logos, and brand names on certain informational/educational materials, product containers and labels, and in general promotional activities, especially advertising. These Draft HK Code provisions arguably violate the TRIPS Agreement, specifically TRIPS Articles 8 and 20,[11] because they disproportionately curtail *the use* of private trademark assets (word marks and non-word marks) associated with infant formula, follow-up formula, and young children's food ("complementary food") products in the absence of sufficient evidence demonstrating that such trademark encumbrances and their resulting restrictions on international trade are "necessary" to achieve the Draft HK Code's public policy objectives at the GHK-SAR's chosen level of protection. These objectives include the protection of public health via breastfeeding, within the meaning of TRIPS Article 8.1,[12] and the prevention of the abuse of IP rights by right holders via deceptive promotion/marketing of formula milk and complementary food products, within the meaning of TRIPS Article 8.2.[13]

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in *United States—Section 110(5) of the U.S. Copyright Act*, 'the agreements covered by the WTO form a single, integrated legal system'. Because '[t]he proper balance of rights and obligations is an overriding objective of the WTO system', the objectives and principles of the TRIPS Agreement need to be considered in relation to this particular objective. While it is important to strike a balance within the TRIPS regime, maintaining balance outside the WTO is also very important…[T]he spillover effects of intellectual property protection and the increased fragmentation of the international treaty system have necessitated the development of not only *endogenous* limits to intellectual property protection, but also *exogenous* limits that can be found in related regimes, such as those concerning public health, human rights, biological diversity, food and agriculture, and information and communications." *Id*., at pp. 1007-1008.

7 TRIPS Agreement, Preamble par. 1.

8 *Id*.

9 TRIPS Art. 15.1

10 *Id*.

11 TRIPS Article 20 provides that, 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." TRIPS Art. 20.

12 TRIPS Article 8.1 provides that, "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." TRIPS Art. 8.1.

13 TRIPS Article 8.2 provides that, "Appropriate measures, provided that they are consistent with the provisions of this Agreement, may be needed to prevent the abuse of intellectual property rights by right holders or the resort to practices which unreasonably restrain trade or adversely affect the international transfer of technology." TRIPS Art. 8.2.

WTO case law analyzing the application of TRIPS Article 20[14] is rather sparse, with allegations of TRIPS Article 20 violations limited to the claims recently raised in connection with the pending WTO dispute over Australia's plain tobacco packaging legislation.[15] This dearth of TRIPS Article 20 jurisprudence notwithstanding, currently available legal commentary is quite helpful in properly construing the meaning and intent of TRIPS Articles 8 and 20 in the broader context of the TRIPS Agreement's relationship with other WTO agreements and non-WTO law.

II. Discussion – The Draft HK Code Violates the TRIPS Agreement

1. The TRIPS Agreement Generally Affords WTO Members Discretion to Pursue Public Policy Objectives

In *EC - Trademarks and Geographical Indications*,[16] the WTO Panel concluded that the principles set forth in TRIPS Article 8.1 "inherently grant[] 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" (emphasis added).[17] The Panel observed that governmental promotion of the public interest is made possible because the TRIPS Agreement does not generally confer "positive" rights to use or exploit IP, but

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14 *See* Panel Report, *Indonesia - Certain Measures Affecting the Automobile Industry*, WT/DS54/R, WT/DS55/R, WT/DS59/R, WT/DS64/R (July 2, 1998). The Panel evaluated whether Indonesian law and practices regarding the use and maintenance of foreign trademarks in connection with the National Car Programme constituted "special requirements" that might encumber the use of the trademarks of nationals of other WTO Members for purposes of TRIPS Articles 3 and 20. *Id*., at par. 14.279. The Panel rejected, for lack of sufficient evidence, the US claim that foreign "partner[s] in the National Car Programme…would be unlikely to use in Indonesia the mark normally used ('global' mark) on the vehicle marketed as a 'national motor vehicle' in Indonesia, for fear of creating confusion (i.e., confusion resulting from using different marks on the same car), and [that] consequently it was more likely that the 'global' mark would be subject to cancellation for non-use in Indonesia. [The Panel found that since] a foreign company [that] enters into an arrangement with a Pioneer company…would do so voluntarily, with knowledge of any consequent implications for its ability to maintain pre-existing trademark rights…[it did] not consider the provisions of the National Car Programme as they relate to trademarks can be construed as 'requirements', in the sense of Article 20." *Id*., at pars. 14.270-14.271, 14.277. In addition, the Panel rejected, for lack of sufficient evidence, the US claim that "foreign holders of trademarks in Indonesia are at a de facto disadvantage in meeting use requirements in relation to the Indonesian holder of a trademark satisfying the National Car Programme requirements, because the tariff, internal tax and other benefits to which the Indonesian company is entitled give it a competitive advantage in the marketing of cars bearing trademarks over foreign companies. [Apparently, the US failed to show how] the grant of tariff, subsidy or other measures of support to national companies…would render the maintenance of trademark rights by foreign companies wishing to export to that market relatively more difficult…[and] how the ineligibility for benefits accruing under the National Car Programme could constitute 'requirements' imposed on foreign trademark holders, in the sense of Article 20 of the TRIPS Agreement." *Id*., at pars. 14.273 and 14.278.

15 See *Australia — Certain Measures Concerning Trademarks and Other Plain Packaging Requirements Applicable to Tobacco Products and Packaging*, Request for the Establishment of a Panel by the Ukraine, WT/DS434/11 (Aug. 17, 2012). The WTO Dispute Settlement Body established a panel at its September 28, 2012 meeting. See also *Australia — Certain Measures Concerning Trademarks and Other Plain Packaging Requirements Applicable to Tobacco Products and Packaging*, Request for the Establishment of a Panel by Honduras WT/DS435/16 (Oct. 17, 2012); *Australia — Certain Measures Concerning Trademarks and Other Plain Packaging Requirements Applicable to Tobacco Products and Packaging*, Request for the Establishment of a Panel by Dominican Republic WT/DS441/15 (Nov. 14, 2012); *Australia — Certain Measures Concerning Trademarks and Other Plain Packaging Requirements Applicable to Tobacco Products and Packaging*, Request for the Establishment of a Panel by Cuba WT/DS458/1 (May 7, 2013).

16 *See* Panel Report, *European Communities – Protection of Trademarks and Geographical Indications for Agricultural Products and Foodstuffs (United States) ("EC - Trademarks and Geographical Indications (US)")*, WT/DS174/R (March 15, 2005).

17 Panel Report, *EC - Trademarks and Geographical Indications (US)*, supra at par. 7.210.

rather provides only for the grant of "negative" rights to prevent unauthorized third-party use of IP.[18]

Some commentators have emphasized that the implicit negative and positive IP rights distinction[19] reflected in TRIPS Articles 7 and 8 "confirms the broad and unfettered discretion that Members have to pursue public policy objectives."[20] UNCTAD, for example, has posited that Article 8 affords WTO Members "the discretion to adopt internal measures they [subjectively] consider 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".[21] And, they have recently cited this distinction as justification for the severe curtailment of trademark use mandated by the plain tobacco packaging measures[22] currently being challenged at the WTO. For example, these commentators have noted that Article 6quinquies(B) of the Paris Convention, which denies registration to trademarks that "are…of such a nature as to deceive the public",[23] "could…arguably be used to restrict certain deceptive trademarks",[24] presumably, in conformance with TRIPS Article 8.2.[25]

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18 "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." (emphasis added). *Id*.

19 For example, Professors Voon and Mitchell have emphasized how "trademark rights are rights to exclude, rather than to use". *See* Tania Voon and Andrew Mitchell, *Face off: Assessing WTO Challenges to Australia's Scheme for Plain Tobacco Packaging*, 22 Public Law Review 218 (Thompson Reuters 2011) at pp. 13-15, available at: http://papers.ssrn.com/sol3/papers.cfm?abstract_id=1995015.

20 *See* Peter Yu, *The Objectives and Principles of the TRIPS Agreement*, supra at p. 1009, quoting Carlos Correa, *Trade Related Aspects of Intellectual Property Rights: A Commentary on the TRIPS Agreement* (Oxford University Press 2007), at p. 108, available at: http://fds.oup.com/www.oup.co.uk/pdf/0-19-927128-3.pdf; http://ukcatalogue.oup.com/product/9780199271283.do#.Ud2ESGLCaSo.

21 *See* UNCTAD-ICTSD, *Resource Book on TRIPS and Development*, Cambridge University Press (2004), at Sec. 6 – *Objectives and Principles*, pp. 126-127, available at: http://www.iprsonline.org/unctadictsd/docs/RB_Part1_Nov_1.5_update.pdf. The authors of this tome go so far as to argue that TRIPS Article 8.1 "suggests that measures adopted by Members to address public health, nutrition and matters of vital socio-economic importance should be presumed to be consistent with TRIPS, and that any Member seeking to challenge the exercise of discretion should bear the burden of proving inconsistency." Id., at p. 127. At least one commentator has voiced doubt concerning whether WTO Panels would be willing to go along. *See* Peter Yu, *The Objectives and Principles of the TRIPS Agreement*, supra at p. 1009, quoting Carlos Correa, *Trade Related Aspects of Intellectual Property Rights: A Commentary on the TRIPS Agreement*, supra at fn. 133, p. 1009.

22 Professsors Voon and Mitchell have referred to the Panel's conclusion, in *EC - Trademarks and Geographical Indications (Australia)* - that TRIPS 16.1 provides only for negative rights - as other than "a matter of mere semantics or a happy coincidence (from the perspective of the government of Australia and like-minded countries) when it comes to applying the TRIPS Agreement to plain packaging." *See* Tania Voon and Andrew Mitchell, *Face off: Assessing WTO Challenges to Australia's Scheme for Plain Tobacco Packaging*, supra at p. 15. "[T]he TRIPS Agreement generally frames trademark and other IP rights as negative rights precisely to allow members to pursue legitimate non-IP-related public policies such as promoting public health." *Id*.

23 Paris Convention, Art. 6quinquies(B)(3).

24 *See* Tania Voon and Andrew Mitchell, *Face off: Assessing WTO Challenges to Australia's Scheme for Plain Tobacco Packaging*, supra at pp. 12-13; Tania Voon and Andrew Mitchell, *Implications of WTO Law for Plain Packaging of Tobacco Products*, Melbourne Legal Studies Research Paper No. 554 (2011), at pp. 5-6, available at: http://www.smoke-free.ca/trade-and-tobacco/Resources/voon-Mitchell-implicatiosn.pdf.

Andrew Mitchell and Tania Voon, *Submission No. 30 to the Inquiry into Tobacco Plain Packaging by the House Standing Committee on Health and Ageing*, Parliament of Australia (July 21, 2011), at par. 28, p. 8, available at: http://www.aph.gov.au/parliamentary_business/committees/house_of_representatives_committees?url=haa/billtobaccopackage/subs/sub30.pdf.

25 *See* discussion, *infra*.

Notwithstanding their claims, other commentators have noted that the policy space that TRIPS Articles 7 and 8 afford to WTO Members to pursue public interest objectives is not unlimited. It is circumscribed by the scope of trademark owners' rights and legitimate interests as defined by other TRIPS provisions and other relevant treaties. "The key provisions about trademarks are found in the Paris Agreement for the Protection of Industrial Property [the 'Paris Convention'][26] which is incorporated into the TRIPS Agreement [via TRIPS Article 2.1]",[27] and in the "substantive trademark minimum standards…found in [TRIPS] Articles 15- 21."[28]

2. TRIPS Articles 16 and 17[29] Generally Reflect Positive as Well as Negative Trademark Rights That Limit Such Discretion

Commentators knowledgeable about the international legal protections to which intellectual property ("IP") assets and rights are entitled have argued that the positive/negative rights issue is somewhat of a red herring because "there is an inseparable relationship between rights to exclude (negative rights) and where they exist legitimate interests (positive rights)".[30] In their view, both the TRIPS Agreement and the Paris Convention provide a right to exclude *for the purpose of* "reserv[ing]…space for use…in commerce…by the owner or with his consent."[31] Assuming that "a trademark owner has the right to exclude others from use of the trademark[, said] trademark owner, therefore, has in principle the ability and interest (but not necessarily the right) to use the trademark in circumstances where others do not."[32] In other words, rights to exclude do not define "the scope of the right or the 'contours of the owner's position'. Rather, the scope is determined by what the right in fact is."[33]

The Panel in *EC - Trademarks and Geographical Indications* recognized the integral relationship between negative and positive trademark rights in the context of TRIPS Articles 16.1, 17 and 24.5.[34]

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26 See *Paris Convention for the Protection of Industrial Property (Paris Convention)*, (July 14, 1967 (Stockholm text), 828 U.N.T.S. 305, available at: http://www.wipo.int/export/sites/www/treaties/en/ip/paris/pdf/trtdocs_wo020.pdf.

27 *See* Susie Frankel and Daniel Gervais, *Plain Packaging and the Interpretation of the TRIPS Agreement*, supra at p. 19.

28 *Id*. "The broad framework of those provisions is to provide standards for the subject matter of trademarks (Article 15); the exclusive rights of trademark owners (Article 16); exceptions to the rights conferred by a trademark (Article 17); and other Articles relating to the term of protection, requirements of use and licensing." *Id*.

29 This article does not discuss the possibility of TRIPS Article 17 violations because Article 17 "follows Article 16 which sets out the minimum standards for [the exercise of] *rights* against third [parties] relating to infringement" (emphasis added). *See* Susie Frankel and Daniel Gervais, *Plain Packaging and the Interpretation of the TRIPS Agreement*, Vanderbilt Journal of Transnational Law (2013), at p. 39, available at: http://papers.ssrn.com/sol3/papers.cfm?abstract_id=2234580. The objectionable Draft HK Code measures, like the disputed plain packaging measures, do not raise third-party infringement issues. Since TRIPS Article 17 "includes express mention of the legitimate interests of trademark owners", however, "it is relevant to the context of interpretation of Article 20." *Id*.

30 *Id*., at p. 28.

31 *Id*., at p. 32. "It is the essence of a trademark right that it should be used in trade. Use in commerce is the normative underpinning of the Paris Convention and the TRIPS Agreement." *Id*.

32 *Id*., at p. 35.

33 *Id*.

34 TRIPS Article 16.1 generally provides that "[t]he owner of a registered trademark shall have the exclusive right to prevent all third parties not having the owner's consent from using in the course of trade identical or similar signs for goods or services which are identical or similar to those in respect of which the trademark is registered where such use would result in a likelihood of confusion." TRIPS Art. 16.1. TRIPS Article 17 provides that "Members may provide limited exceptions to the rights conferred by a trademark, such as fair use of descriptive terms, *provided that such exceptions take account of the legitimate interests of the owner of the trademark and of third parties*" (emphasis added). TRIPS Art. 17. TRIPS Article 24.5 provides that "[w]here a trademark has been applied for or registered in good faith, or where rights to a trademark have been acquired

While acknowledging how "Article 16.1 of the TRIPS Agreement only provides for a negative right to prevent all third parties from using signs in certain circumstances",[35] the Panel nevertheless, emphasized how Article 24.5 acknowledges positive rights by "provid[ing] that certain measures 'shall not prejudice...the right to use a trademark'",[36] which "is a right that Members may provide under national law."[37]

The Panel in *EC - Trademarks and Geographical Indications* also embraced the prior findings of the Panel in *Canada – Pharmaceutical Patents*, which identified positive property rights as being among the "legitimate interests" of a patent owner in the context of TRIPS Article 30.[38] The *Canada – Pharmaceutical Patents* Panel had defined the term "legitimate interests" of the patent owner under domestic law "as a normative claim calling for protection of interests that are 'justifiable' in the sense that they are supported by relevant public policies or other social norms."[39] The *EC - Trademarks and Geographical Indications* Panel observed that such definition was equally applicable in the context of TRIPS Article 17,[40] which "creates an exception to the rights conferred by a trademark" under Article 16 and requires the balancing of the public interest against "the legitimate interests" of the trademark owner.[41] According to that Panel, "the 'legitimate interests' of the trademark owner must be something different from [and thus broader than] full enjoyment of those legal rights".[42] Viewed in such manner, the legitimate interests of trademark owners

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through use in good faith…before [a] geographical indication is protected in its country of origin…measures adopted…[to] increase[e] the protection of individual geographical indications…shall not prejudice eligibility for or the validity of the registration of a trademark, or the right to use a trademark, on the basis that such a trademark is identical with, or similar to, a geographical indication." TRIPS Arts. 24.5 and 24.1.

35 Panel Report, *EC - Trademarks and Geographical Indications (US)*, supra at fn. 558. TRIPS Article 16.1 provides that "[t]he owner of a registered trademark shall have the exclusive right to prevent all third parties not having the owner's consent from using in the course of trade identical or similar signs for goods or services which are identical or similar to those in respect of which the trademark is registered where such use would result in a likelihood of confusion…The rights described above shall not prejudice any existing prior rights, nor shall they affect the possibility of Members making rights available on the basis of use." TRIPS Art. 16.1.

36 *Id*., at par. 7.611. TRIPS Article 24.5 provides that measures intended to protect geographical indications "shall not prejudice eligibility for or the validity of the registration of a trademark, *or the right to use a trademark*, on the basis that such a trademark is identical with, or similar to, a geographical indication...[if that trademark] has been applied for or registered…or acquired through use in good faith before the date of application of these provisions in that Member or before the geographical indication is protected in its country of origin." TRIPS Art. 24.5.

37 *Id*. Consistent with the understanding of the Panel, Professor Carvalho has noted that "the right to use a certain sign in a certain field of commerce, industry or services results from economic freedom, not from industrial property law." *See* Nuno Pires De Carvalho, *The TRIPS Regime of Trademarks and Designs*, 2d. Ed. (Kluwer Law Int'l 2011), at Sec. 16.1, p. 343, available at:
http://books.google.com/books?hl=en&lr=&id=h8z73JXP3uIC&oi=fnd&pg=PR15&dq=The+TRIPS+regime+of+trademarks+and+designs+/&ots=2I6V-mDsaA&sig=RE_e3CSKQIqTJ3Z2tG3l-pWNHao.

38 TRIPS Article 30 sets forth exceptions to the rights conferred by a patent provided in TRIPS Article 28, which should "not unreasonably prejudice the legitimate interests of the patent owner, taking account of the legitimate interests of third parties." TRIPS Art. 30.

39 Panel Report, *Canada-Patent Protection of Pharmaceutical Products*, supra at par. 7.69.

40 "We agree with the following view of the Panel in *Canada – Pharmaceutical Patents*, which interpreted the term 'legitimate interests' of a patent owner and third parties in the context of Article 30…In our view, this is also true of the term 'legitimate interests' of a trademark owner and third parties in the context of Article 17." *Id*., at par. 7.663.

41 Panel Report, *EC - Trademarks and Geographical Indications (US)*, supra at par. 7.662.

42 *Id*. "The legitimacy of some interest of the trademark owner is assumed because the owner of the trademark is specifically identified in Article 17. The TRIPS Agreement itself sets out a statement of what all WTO Members consider adequate standards and principles concerning trademark protection. *Although it sets out standards for legal rights, it also provides guidance as to WTO Members' shared understandings of the policies and norms relevant to trademarks and, hence, what might be the legitimate interests of trademark owners*" (emphasis added). *Id*., at par. 7.664. *See also* Panel Report, *Canada-Patent*

encompass both positive rights to use a registered trademark and to exploit its economic value (i.e., through assignment, licensing, etc.), as well as negative rights to preserve its distinctiveness or capacity to distinguish.[43] To this end, the *EC - Trademarks and Geographical Indications* Panel also noted that "[t]he legitimate interests of trademark licensees are, to a large extent, identified with those of the trademark owner, and can be taken into account at the same time."[44]

The Panels' findings in *Canada – Pharmaceutical Patents* and *EC - Trademarks and Geographical Indications* are largely consistent with the position of the World Intellectual Property Organization ("WIPO"), which has described a registered owner's "exclusive right to use the trademark" as encompass[ing] two things: the right to use the trademark and the right to exclude others from using it."[45] WIPO notes that the "positive right of use belonging to the trademark owner [which] is recognized in most trademark laws…means first the right of the owner of the mark to affix it on goods, containers, packaging, labels, etc. or to use it in any other way in relation to the goods for which it is registered. It means also the right to introduce the goods to the market under the trademark."[46] "[A] third right out of the series of rights incorporated in the right to use a trademark is the trademark owner's *right to use his mark in advertising*, *on business papers*, documents, etc." (emphasis added).[47] WIPO's views on trademarks are significant given the mandate of TRIPS Article 2.1 which, through incorporation of "Articles 1 through 12, and Article 19, of the Paris Convention"[48] and the context provided by other TRIPS provisions, reflects an implied right to use trademarks subject to conditions.[49]

Protection of Pharmaceutical Products, supra at par. 7.68, wherein the Panel set forth three reasons why "equating 'legitimate interests' with a full respect of legal interests" in the context of TRIPS Articles 28 and 30 makes little or no sense.

43 "Every trademark owner has a legitimate interest in preserving the distinctiveness, or capacity to distinguish, of its trademark so that it can perform that function. This includes its interest in using its own trademark in connection with the relevant goods and services of its own and authorized undertakings. Taking account of that legitimate interest will also take account of the trademark owner's interest in the economic value of its mark arising from the reputation that it enjoys and the quality that it denotes." Panel Report, *EC - Trademarks and Geographical Indications (US)*, supra at par. 7.664. *Accord* Nuno Pires De Carvalho, *The TRIPS Regime of Trademarks and Designs*, Sec. 16.6, p. 348 (""In spite of the apparently straightforward language of Article 16.1, the right of trademark owners extends beyond the use of conflicting signs by third parties in the course of trade. Article 16.1 simply enunciates the basic right of trademark owners, but does not exclude other rights, which are implicitly admitted by Article 17. Actually, Article 17 recognizes that trademark owners have some legitimate interests, and even if interests and rights are not synonymous, the very existence of legitimate interests gives right to a right to defend them. One of those legitimate interests is to preserve the distinctiveness of the trademark. Other interests are in preserving the reputation and the economic value of the trademark. All these interests can be negatively affected by acts of a non-commercial nature done by third parties, such as disparaging references to trademarks in press reports or their citation in dictionaries or encyclopedias that may misinform the public…"). *Id*.

44 Panel Report, *EC - Trademarks and Geographical Indications (US)*, supra at par. 7.680.

45 *See* World Intellectual Property Organization, *Intellectual Property Handbook: Policy, Law and Use*, (June 2001) at par. 2.444, p. 84, available at: http://www.wipo.int/export/sites/www/freepublications/en/intproperty/489/wipo_pub_489.pdf.

46 *Id.*, at pars. 2.446-2.447, p. 84.

47 *Id*., at par. 2.451, p. 85.

48 TRIPS Art. 2.1.

49 "[S]aying there is no absolute right to use in TRIPS, does not mean one can ignore TRIPS Articles that provide context. Our conclusion on this point is also simple: (a) the purpose of registration is an integral aspect of interpreting the TRIPS Agreement's provisions about trademarks; (b) the purpose and *acquis* of the TRIPS Agreement registration provisions and Paris Convention provisions incorporated into TRIPS is to encourage the orderly use of trademarks in commerce; and (c) the rights of trademark owners are limited, but they make little sense seen as mere rights to exclude." *See* Susie Frankel and Daniel Gervais, *Plain Packaging and the Interpretation of the TRIPS Agreement*, supra at p. 26. This view has been extensively criticized by Professor Davies who has argued, based on a literal reading of the text of both the Paris Convention and the TRIPS Agreement, that neither provides for the right to use a trademark. *See* Mark A. Davison, *The Legitimacy of Plain Packaging Under International Intellectual Property Law: Why There is No right to Use a Trademark Under Either the Paris Convention or the TRIPS Agreement*

3. TRIPS Articles 8 and 20 Limit WTO Member Discretion to Restrict Trademark Use to Protect Public Health or Prevent Deceptive Practices

a. Special Requirements That Could Potentially Encumber the Functions of Trademarks Under TRIPS Article 20

TRIPS Article 20 precludes WTO Members from unjustifiably encumbering (i.e., hampering, hindering, impeding, or burdening"[50]) the use of a trademark in the course of trade by special requirements.[51] The Panel in *United States - Article 110(5) of the Copyright Act*,[52] defined the term "special" as "'having an individual or limited application or purpose', 'containing details; precise, specific', 'exceptional in quality or degree; unusual; out of the ordinary' or 'distinctive in some way'".[53] Several commentators have noted that since the term "special" which modifies the term "requirements" in the context of TRIPS Article 20 "may well include requirements *outside* of trademark law" (emphasis added), a WTO panel may find that such term should be construed more broadly than in the context of TRIPS Article 13, wherein the term "special" modifies the term "cases *within* copyright law" (emphasis added).[54]

Thus, it is arguable that special requirements are those that "concern the use of trademarks with special or specific purpose. Special requirements contrast, therefore, with 'general requirements', which would apply to all products."[55] Prima facie examples of special requirements, which are not necessarily unjustified *per se*,[56] include those mandating use with another trademark, use in a special form or use in a manner detrimental to a trademark's capability to distinguish the goods or services of one undertaking from those of other undertakings.[57] "All of these requirements involve activities that may diminish the distinctiveness of the trademarks in question by positive action being required of the trademark owner in the context of the use of its trademarks."[58]

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in PUBLIC HEALTH AND PLAIN PACKAGING OF CIGARETTES: LEGAL ISSUES 81 (Tania Voon, Andrew Mitchell & Jonathan Liberman Eds. 2012), available at: http://ssrn.com/abstract=2009115. According to Professor Davies, "[t]rademark usage is but one of multiple factors that governments consider in making policy decisions. It is difficult to accept that governments would compromise their ability to protect public health and to pursue other valid policy objectives via the oblique and imprecise means of conferring *an implied right to use trademarks* without so much as a suggestion as to how to limit that right or how to create exceptions to it" (emphasis added). *Id*., at p. 9 (SSRN version).

50 *See* Merriam Webster online, available at: http://www.merriam-webster.com/dictionary/encumber.

51 TRIPS Art. 20.

52 *See* Panel Report, *United States-Article 110(5) of the Copyright Act*, WT/DS160/R (Jun. 15, 2000) (adopted Jul. 27, 2000).

53 *Id*., at par. 6.109.

54 *See* Susie Frankel and Daniel Gervais, *Plain Packaging and the Interpretation of the TRIPS Agreement*, supra at p. 22.

55 *See* Nuno Pires De Carvalho, *The TRIPS Regime of Trademarks and Designs*, supra at Sec. 20.10, and accompanying fn. 926.

56 "The three examples of special requirements given in Article 20 (i.e. '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') are not necessarily unjustified. When a named special requirement is imposed, the burden of proving the justification rests on the WTO Member imposing it." *See* Daniel Gervais, *Analysis of the Compatibility of Certain Tobacco Product Packaging Rules with the TRIPS Agreement and the Paris Convention*, Prepared for Japan Tobacco International (Nov. 30, 2010) at par. 48, available at: http://www.smoke-free.ca/trade-and-tobacco/Resources/Gervais.pdf. *Accord*, *See* Tania Voon and Andrew Mitchell, *Face off: Assessing WTO Challenges to Australia's Scheme for Plain Tobacco Packaging*, supra at p. 15.

57 TRIPS Art. 20.

58 *See* Mark A. Davison, *The Legitimacy of Plain Packaging Under International Intellectual Property Law: Why There is No right to Use a Trademark Under Either the Paris Convention or the TRIPS Agreement*, supra at p. 15 (SSRN version).

Indeed, the requirement that a trademark be used "in a special [specific] form" "may [very well] involve reducing its visual or other impact on consumers and…therefore its distinctiveness in the sense of distinguishing the goods in question from other goods."[59] In addition, the requirement that a trademark be used "in a manner detrimental to its capability to distinguish the goods or services of one undertaking from those of other undertakings" "is a more generic reference to conduct demanded of the trademark owner that may diminish the distinctiveness of its trademark."[60]

Legal commentators have argued that a requirement that partially or totally prohibits the use of a trademark in commerce arguably constitutes the type of encumbrance that falls within the scope TRIPS Article 20 because it can diminish the distinctiveness of trademarks. A partial or total trademark prohibition could effectively prevent a trademark owner from distinguishing its product from other products in the marketplace.[61] "Other products" may include unbranded products bearing counterfeit branded trademarks and logos,[62] or illicitly manufactured branded products.[63] These types of products could further exacerbate unintended health risks to unwary consumers in and around the China region[64] which is widely recognized as the primary source of the world's

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59 *Id*.

60 *Id*., at pp. 15-16.

61 *See* Susie Frankel and Daniel Gervais, *Plain Packaging and the Interpretation of the TRIPS Agreement*, supra at p. 19. "[A] measure completely preventing the use of a trademark (or any measure tantamount thereto) encumbers the trademark's capability to distinguish the goods or services of one undertaking from those of other undertakings." *Id*. "[I]t seems unlikely that a dispute-settlement panel would consider that a complete prohibition is not an encumbrance because it is *more* than an encumbrance" (emphasis added). *Id*., at p. 20.

62 *See* United Nations Office on Drugs and Crime, *Transnational Organized Crime in East Asia and the Pacific – A Threat Assessment* (April 2013), available at: http://www.unodc.org/documents/data-and-analysis/Studies/TOCTA_EAP_web.pdf. "Following production, the counterfeit goods are concealed, frequently through false customs declarations or *disguised with lesser-known logos*" (emphasis added). *Id*., at Executive Summary, p. ix. "*Counterfeit logos may be attached to generic garments and items produced elsewhere*. The misbranding of merchandise can even occur in transit countries. As a result, many of those involved in manufacturing counterfeits may have no notion that they are doing anything illegal…Free-trade zones also provide opportunities for counterfeiters to 'sanitise' shipping documents in ways that disguise their original point of manufacture. A lack of enforcement in free-trade zones also *allows for unbranded goods to be repackaged with counterfeit trademarks* prior to being exported to destination markets" (emphasis added). *Id*., at p. 125.

63 *See* China Daily, *Fake Infant Formulas a Big Problem* (May 7, 2013), available at: http://www.chinadaily.com.cn/opinion/2013-05/07/content_16481105.htm. ("[I]nsiders say as much as 80 percent of the imported infant formulas are products of original equipment manufacturers (that is, original manufacturers of one or more components of products that are resold by another company). Scient, for example, claimed to make its products from 100 percent imported milk but in June 2009 it was found that its entire supply of milk was from within China. And Sunlife confessed in November 2011 that the use of imported materials in its products was irregular. Even four years after Scient's exposure, the market is full of fake foreign brands.") *Id*. OEM-based counterfeiting has also been detected in the pharmaceutical industry. According to one recently released UN report, "mainstream pharmaceutical firms can also produce fraudulent medicines. For example, in March 2012 Furentang Pharmaceutical, a company based in Jiangxi, China, had its license revoked for producing counterfeits. The company had been using forged documents to justify manufacturing products they had no license to produce. Mainstream companies under financial pressure can stray into fraud. Wary of protecting their reputations, they may substitute cheaper chemicals that mimic the effects of the medicines they are purporting to sell…They can alter the expiration date of standing stocks, fail to maintain appropriate storage conditions, or add cheap ingredients not intended for human consumption." *See* United Nations Office on Drugs and Crime, *Transnational Organized Crime in East Asia and the Pacific – A Threat Assessment* supra at p. 134.

64 This UN report found that pharmaceutical and food product counterfeiting is widespread and not limited to individual national or local officials. "In 2008, the melamine scandal – in which babies died from drinking tainted formula – showed that the problem ran deeper than one official. More recently, sweeps in 2011 found *widespread counterfeiting* in Henan province, with hundreds of operations detected. That same year, a network in Guangxi Zhuang Autonomous Region was found producing 710 different products, from lifestyle drugs to antibiotics" (emphasis added) *Id*.

counterfeit products, including food and pharmaceuticals.[65] Ironically, the imposition of special requirements that partially or totally prohibit the use of a trademark runs directly counter to the recommendation of a recently issued United Nations report on global counterfeiting. That report explicitly states that "IPR regimes are an effective weapon to combat counterfeiting [especially] in much of East Asia and the Pacific [where] these regimes are often weak, weakly enforced or both."[66] A partial or total prohibition of the use of a trademark may even make it more difficult for a trademark owner to establish or maintain well-known status for a mark,[67] or to prevent against a loss of well-known mark status, which may engender separate violations of TRIPS Articles 16.2 and/or 16.3.[68]

For such reasons, legal commentators have construed a total prohibition as "the ultimate encumbrance",[69] particularly in Anglo-American common law systems where "trademark law originated as the judicially created tort of passing off" and "[r]egistration is not required to obtain relief under tort law."[70] Since, in such jurisdictions, "the existence of protection depend[s] on use in commerce",[71] "[p]rohibiting use (on products the sale of which is legal) amounts to denying the possibility of obtaining and maintaining protection," and thus, preventing trademarks from performing their functions."[72] According to such commentators, "the rights provided in [TRIPS Article] 16 (against unauthorized third party use of a protected mark) make little sense if the trademark owner cannot [affirmatively] use the mark."[73]

Commentators have also concluded that "[s]pecial requirements [may include] those that have a special purpose or effect [such as] *to reduce consumption of tobacco* [or] *to reduce brand loyalty on pharmaceuticals*" (emphasis added).[74] Arguably, prohibitions and restrictions applicable only or primarily to trademarks, logos and brand names of formula milk, formula milk-related, and complementary food products used on informational/educational materials, product containers

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65 "[A]ccording to the World Customs Organization, *75% of the counterfeit products seized worldwide from 2008 to 2010 were manufactured in East Asia*, *primarily China*…The OECD has concluded that counterfeiting accounts for around 2% of world trade. Applying this rate to the value of goods imported from East Asia to the US and the EU in 2010 suggests a flow worth some **US$24.4 billion**" (boldface emphasis in original). *Id*., at Executive Summary at ix. *See also,* PR Web, *Global Anti-Counterfeit Packaging Market to Reach US$82.2 Billion by 2015, According to New Report by Global Industry Analysts*, Inc., Press Release (July 12, 2010), available at: http://www.prweb.com/releases/anti_counterfeit/packaging/prweb4241174.htm ("Counterfeiting causes detrimental health concerns for consumers, safety concerns for law enforcement agencies, and financial concerns for businesses worldwide. In particular, food and pharmaceutical industries are the most vulnerable to the increasingly sophisticated operations of counterfeiters.").

66 *See* United Nations Office on Drugs and Crime, *Transnational Organized Crime in East Asia and the Pacific – A Threat Assessment* supra at p. 152.

67 *Id*., at pp. 40 and 50.

68 *Id*., at p. 5, fn. 12. In fact, "a ban of the use of certain well-known marks likely to lead to a loss of well-known mark status may [possibly] amount to a separate violation of Article 16.2 and/or 16.3." *Id*. "Intuitively, if a well-known mark ceases to be used (remembering that it became famous not because it was registered but rather because it was used extensively), then it seems fair to surmise that it may lose its well-known status and rights under Article 16.3." *Id*., at p. 36.

69 *See* Nuno Pires De Carvalho, *The TRIPS Regime of Trademarks and Designs*, supra at Sec. 20.1. "Article 20 applies to those cases in which the designated goods or services may be commercialized, under national law, but requirements on the use of the respective marks are imposed by governments. Those requirements *may reach the level of prohibiting the use of trademarks – prohibition of use is, indeed, the ultimate encumbrance*" (emphasis added). *Id*.

70 *See* Susie Frankel and Daniel Gervais, *Plain Packaging and the Interpretation of the TRIPS Agreement*, supra at p. 23.

71 *Id*., at p. 22.

72 *Id*., at p. 23.

73 *See* Susie Frankel and Daniel Gervais, *Plain Packaging and the Interpretation of the TRIPS Agreement*, supra at fn. 79.

74 *See* Nuno Pires De Carvalho, *The TRIPS Regime of Trademarks and Designs*, supra at Sec. 20.10, and accompanying fn. 926.

and labels and in advertising, the intent of which are to reduce consumption of and brand loyalty for such products, "would likely fall within any reasonable definition [of the term 'special' requirement,] because such requirement[s] would have 'limited application or purpose' and be 'containing details; precise, specific'".[75]

This interpretation of TRIPS Article 20 comports with at least one early TRIPS negotiation document which reflects the aim of this provision's first sentence: "States should not impose requirements on the owners of marks that [would] prevent[] the recognition of the mark or that would inhibit the mark from serving to distinguish a good or service *(for example unreasonable size limitations on the display of the mark or unreasonable requirements to include other indicia on the label of a product)*" (emphasis added).[76]

b. Special Requirements That Could Potentially Encumber the Functions of Trademarks Under TRIPS Article 20 Anticipate Trademark Owners' Legitimate Interests Including Use

Several commentators have noted that "[t]he first sentence of Article 20 may demonstrate [WTO] Members' understanding that trademarks should be used in commerce. Otherwise there would be no need to limit the power of WTO Members to 'encumber' such use."[77] This understanding is consistent with a broad interpretation of Article 20's terms, with which at least one other commentator seems to agree. Article 20 "does not refer to the rights of trademark owners" [conferred by Article 16] (which are used in a manner to prevent others from using marks that are similar or identical to the protected mark to designate similar or identical goods or services in a manner that causes likelihood of confusion), but *to the use of the mark itself*" (emphasis added).[78] Consequently, TRIPS Article 20 arguably anticipates being invoked as against the trademark owner's "legitimate interests" which encompass both positive *and* negative rights.[79]

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75 "[A] requirement applicable only or primarily to tobacco packaging would likely fall within any reasonable definition [of 'special' requirement] because such requirement would have 'limited application or purpose' and be 'containing details; precise, specific'". *See* Susie Frankel and Daniel Gervais, *Plain Packaging and the Interpretation of the TRIPS Agreement*, supra at p. 22. "[P]lain packaging measures are encumbrances by special requirement and therefore fall within the ambit of Article 20." *Id*., at p. 24. *See also* Daniel Gervais, *Analysis of the Compatibility of Certain Tobacco Product Packaging Rules with the TRIPS Agreement and the Paris Convention*, supra at par. 47. At least one commentator, however, has taken a contrary view, namely, that total and partial prohibitions "have a limited effect on the distinctiveness of trademarks [and] no impact on the distinctiveness of inherently distinctive trademarks." He argues that "it is extremely unlikely that WTO Members intended to make any partial prohibition on use of a trademark subject to a justification test under Article 20" because of the extreme difficulty of determining "the precise extent of the impact of a partial prohibition on use on distinctiveness acquired by use." *See* Mark A. Davison, *The Legitimacy of Plain Packaging Under International Intellectual Property Law: Why There is No right to Use a Trademark Under Either the Paris Convention or the TRIPS Agreement*, supra at p. 19 (SSRN version). Professor Gervais dismisses said argument. "The essence of the argument, for allowing complete bans but prohibiting smaller encumbrances, seems to be that because Article 20 refers to 'use' it is not applicable when there is no use. That approach is, in our view, too literal. It does not lead to a reasonable result and thus seems inconsistent with recognized treaty interpretation principles." *See* Susie Frankel and Daniel Gervais, *Plain Packaging and the Interpretation of the TRIPS Agreement*, supra at p. 21.

76 *See* Negotiating Group on Trade-Related Aspects of Intellectual Property Rights, including Trade in Counterfeit Goods, Meeting of Negotiating Group of 16-19 May 1988, *Note by Secretariat* (MTN.GNG/NG11/7) (June 21, 1988), at par. 18, http://ipmall.info/hosted_resources/lipa/trips/7.pdf.

77 *See* Susie Frankel and Daniel Gervais, *Plain Packaging and the Interpretation of the TRIPS Agreement*, supra at pp. 26-27.

78 *See* Nuno Pires De Carvalho, The TRIPS Regime of Trademarks and Designs, supra at Sec. 20.10; Susie Frankel and Daniel Gervais, *Plain Packaging and the Interpretation of the TRIPS Agreement*, supra at pp. 39-41.

79 *Id.*

Successive WTO Panels have similarly ruled that TRIPS Article 17, like TRIPS Article 30 vis-à-vis TRIPS Article 28, anticipates that the "legitimate interests" of the trademark owner against which it is likely to be invoked are different from and broader than full enjoyment of exclusive legal (de jure) rights arising from registration that are conferred by TRIPS Article 16.[80] To recall, these Panel decisions revealed that the trademark owner's legitimate interests include the right to use a trademark and to enjoy the economic benefits arising from such use. As the Panel in *EC - Trademarks and Geographical Indications* concluded,

> "[e]very trademark owner has a legitimate interest in preserving the distinctiveness, or capacity to distinguish, of its trademark so that it can perform that function. This includes *its interest in using its own trademark* in connection with the relevant goods and services of its own and authorized undertakings. Taking account of that legitimate interest will also take account of the trademark owner's *interest in the economic value of its mark* arising from the reputation that it enjoys and the quality that it denotes" (emphasis added).[81]

Therefore, by "choosing the notion of 'legitimate interests' in Article 17…the TRIPS Agreement explicitly acknowledges" that trademark owners' rights are not "only negative in substance."[82]

c. Special Requirements That Could Potentially Encumber the Functions of Trademarks Under TRIPS Article 20 Must Be Justifiable

There are two contrary views regarding the legal standard to be applied in determining whether special requirements amounting to an encumbrance within a public policy (e.g., a public health or deceptive practices) measure are justified for purposes of TRIPS Article 20.

i. The Literal Permissive Interpretation of Justifiable Encumbrance

Pursuant to the permissive view, "all requirements that are adopted in order to pursue some public policy that is acceptable to a WTO Member are 'justifiable'."[83] "'Justifiably' [simply] means 'capable of being justified; defensible'", and "'to justify' means 'to show or prove to be just, right, or reasonable'…*The only condition imposed upon those requirements is that they must have in view some goal that is seen as 'just'*" (emphasis added).[84] Thus, special requirements encumbering the use of a trademark in furtherance of "public policy goals…such as health, food and security…that are not arbitrary or constitute a disguised restriction on trade" will be deemed justifiable.[85] Conversely, those "requirements that are taken to pursue goals that are prohibited under a GATT rationale…[such as those that are aimed]…at establishing disguised restrictions on trade…or that

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80 *See* Susie Frankel and Daniel Gervais, *Plain Packaging and the Interpretation of the TRIPS Agreement*, supra at pp. 39-41, referencing portions of the WTO Panel decisions in *Canada-Patent Protection of Pharmaceutical Products*, supra, and *EC - Trademarks and Geographical Indications (US)*, supra.
81 Panel Report, *EC - Trademarks and Geographical Indications (US)*, supra at par. 7.664.
82 *See* Susie Frankel and Daniel Gervais, *Plain Packaging and the Interpretation of the TRIPS Agreement*, supra at p. 42.
83 *See* Nuno Pires De Carvalho, *The TRIPS Regime of Trademarks and Designs*, supra at Sec. 20.12.
84 *Id*.
85 *Id*., at Sec. 20.20.

'constitute a means of arbitrary […] discrimination between countries'" would not be deemed 'justifiable'.[86]

The permissive view, furthermore, construes the "justifiability" standard under Article 20 as not requiring a demonstration of a "cause and effect" relationship "between the requirement and the 'just' goal pursued", as is required under the "necessary" standard employed in TRIPS Articles 8.1 and 8.2. "'Justifiable…gives more freedom to WTO Members than 'necessary'…[T]he notions of reasonableness and proportionality [which] are linked to the concept of 'necessity' [do] not [apply] to the notion of 'justifiable'".[87] Therefore, "Article 20 does not require that the legitimate interests of owners be considered in its application, because it does not formulate any test of proportionality."[88]

Consequently, according to the permissive interpretation of the term "justifiable", TRIPS Article 20 would permit the imposition of special requirements that refer "to the size and colour of letters and characters", including those that "[r]educ[e] the size of trademarks on [product] packages to a minimum", and "to the inclusion of warnings and notices on the risks of consumption".[89] TRIPS Article 20 would also permit special requirements that "prohibit the use of [product]-related marks on different grounds (in order to reduce the goodwill associated to those marks and thus limit their power to induce consumption)…where justifiable (by public policy concerns)…even though it would be seriously detrimental to the (legitimate) interests of the trademark owners."[90] In other words, "the mere fact that public health is a legitimate policy objective from the perspective of the WTO (as reflected in Arts 7 and 8 and the Doha Declaration) means that [measures such as] plain packaging [are] justifiable as long as [they are] pursued to achieve that objective."[91]

ii. The Pragmatic Contextual Interpretation of Justifiable Encumbrance

A more pragmatic and contextual approach to construing the term "justifiable" recognizes that "[t]he key function of Article 8 is its relevance to interpreting the object and purpose of the TRIPS Agreement and applying that to an interpretation of Article 20."[92] Such an approach considers Article 8 more broadly as "allow[ing] WTO Members to take action to protect public health" "consistent with the provisions of th[e TRIPS] Agreement."[93] It relies on Article 8 as providing "a clear rationale for exceptions allowed under the Agreement" and as preventing the creation of

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86 *Id*., at Sec. 20.12.
87 *Id.*, at Sec. 20.20. Other commentators supporting this liberal view have similarly argued that "the requirements for a measure to be 'necessary' within the meaning of one of the paragraphs of GATT Art XX or GATS Art XIV are arguably more stringent than those for a measure to be 'justifiable' within the meaning of TRIPS Art 20…In addition, the strict requirements of the chapeau to GATT Art XX and GATS Art XIV find no equivalent in TRIPS Art 20: Art 20 does not state that a measure encumbering a trademark must not be 'applied in a manner which would constitute a means of arbitrary or unjustifiable discrimination …or a disguised restriction on international trade'." *See* Tania Voon and Andrew Mitchell, *Face off: Assessing WTO Challenges to Australia's Scheme for Plain Tobacco Packaging*, supra at pp. 17-18.
88 Nuno Pires De Carvalho, *The TRIPS Regime of Trademarks and Designs*, supra at Sec. 20.37.
89 *Id*.
90 *Id*.
91 *See* Tania Voon and Andrew Mitchell, *Face off: Assessing WTO Challenges to Australia's Scheme for Plain Tobacco Packaging*, supra at p. 17, paraphrasing Nuno Pires De Carvalho, *The TRIPS Regime of Trademarks and Designs*, supra at Sec. 20.12, p. 424.
92 *See* Susie Frankel and Daniel Gervais, *Plain Packaging and the Interpretation of the TRIPS Agreement*, supra at p. 45.
93 *Id*., at pp. 42-43.

"broad new exceptions not foreseen under the Agreement."[94] According to advocates of this approach, "[i]t would be odd, as a matter of interpretation to read Article 8 as allowing exceptions that do not fit Article 17."[95]

A more contextual approach to statutory interpretation, furthermore, would be consonant with the *Vienna Convention on the Law of Treaties*.[96] It would read Article 8 consistent with not only the overall object and purpose of the TRIPS Agreement ("to reduce distortions and impediments to international trade…taking into account the need to promote effective and adequate protection of intellectual property rights"),[97] but also the TRIPS Agreement's relationship to other WTO Agreements and to non-WTO law.[98]

With respect to the TRIPS Agreement's relationship to other WTO Agreements, TRIPS Article 8 would not likely serve as grounds for the application of any new exception available within another WTO Agreement to the extent it is inconsistent with the TRIPS Agreement[99] - e.g., an available GATT Article XX exception for conduct that would otherwise be deemed to contravene the GATT Agreement.[100] Nevertheless, "Article 8…[would] allow[] the adoption of non-intellectual property measures…to promote what a WTO Member reasonably considers to be its public interest in vital sectors…*provided they are compatible with TRIPS*" (emphasis added).[101] In *United States - Section 211 Omnibus Appropriations Act of 1998*, the Appellate Body determined that it may be possible to

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94 *Id*., at p. 43. For example, "Article 8 might assist in justifying specific measures such as neutralizing one or more specific patents during a public health emergency, which the Agreement allows. This is quite different from, say, banning patents on pharmaceutical inventions or an entire class thereof, which would amount to a prohibited categorical exception." *Id*.

95 *Id.*, p. 44.

96 See *Vienna Convention on the Law of Treaties*, done at Vienna, 23 May 1969, 1155 U.N.T.S. 331; 8 International Legal Materials 679.

97 TRIPS Preamble, par. 1.

98 *See* Susie Frankel and Daniel Gervais, *Plain Packaging and the Interpretation of the TRIPS Agreement*, supra at pp. 44-45.

99 *See* Susie Frankel and Daniel Gervais, *Plain Packaging and the Interpretation of the TRIPS Agreement*, supra at p. 44. According to Professor Gervais, "It is…tempting to conclude that this Article may serve as a basis for broader exceptions than [Article 7]. That is not the case, however. Both [Paragraphs of Article 8] are limited by the use of the phrase consistent with the provisions of this Agreement…Given the phrase added by negotiators, it would be difficult to justify an exception not foreseen under the Agreement, unless it is an exception to a right not protected under other provisions of the TRIPS Agreement or those of other international instruments incorporated in TRIPS." *See* Daniel Gervais, *The TRIPS Agreement: Drafting History and Analysis* (Sweet & Maxwell Ltd, 2d ed. 2003), at pp. 121-122, *cited in* Peter Yu, *The Objectives and Principles of the TRIPS Agreement*, supra at pp. 1013-1014 (stating that, "[a]lthough Article 8.1 can be interpreted broadly to promote the development goals of less-developed countries, the provision contains two major constraints…Article 8 of the TRIPS Agreement does not allow member states to adopt *any* measures they deem useful to protect public health and nutrition. Rather, the provision states explicitly that they can only adopt measures that *are necessary* for those purposes. In fact, they may not even adopt measures that they consider necessary for those purposes…Even worse, the provision requires the measures to be consistent with the provisions of [the TRIPS] Agreement. This second constraint greatly erodes the pro-development aspect of Article 8."). *Id*.

100 The UNCTAD TRIPS Resource Book, for example, acknowledges that "TRIPS does not contain a general safeguard measure comparable to Article XX of the GATT 1994 or Article XIV of the GATS. For those other Multilateral Trade Agreements (MTAs), the necessity to protect human life or health may take priority over the generally applicable rules of the agreement, subject only to general principles of non-discrimination. Yet when it comes to intellectual property, the 'exceptions' are circumscribed with various procedural or compensatory encumbrances, making their use more difficult. Article 8.1 contains language similar to that of GATT Articles XX and GATS Article XIV, yet it demands consistency rather than tolerating inconsistency…A number of developing countries have suggested that Article 8.1 of the TRIPS Agreement might be made consistent with Article XX(b) of the GATT 1994 that permits exceptional measures that are otherwise inconsistent with the agreement. Although it is not clear whether the Council for TRIPS will consider this issue since it was at least partially addressed in the Doha Declaration, it is a potential agenda item." *See* UNCTAD-ICTSD, *Resource Book on TRIPS and Development*, at Sec. 7, pp. 132-133; fn. 293.

101 *See* Susie Frankel and Daniel Gervais, *Plain Packaging and the Interpretation of the TRIPS Agreement*, supra at p. 45.

refer to the jurisprudence underlying the provision of another WTO Agreement (e.g., GATT Article III:4) for purposes of interpreting similar language contained in a TRIPS provision (TRIPS Article 3.1).[102] This same logic should also apply with respect to Article 8 and the provisions of other WTO Agreements containing similar language, provided the TRIPS Agreement's object and purpose are not undermined in the process.

Since TBT Article 2.2 and GATT Articles XX(b) and (d) use the term "necessary", as do TRIPS Articles 8.1 and 8.2,[103] TBT and/or GATT jurisprudence interpreting the meaning of that term should arguably inform the interpretation of the term "necessary" for purposes of TRIPS Article 8.[104] Recent TBT jurisprudence, however, reflects that the term "necessary" is construed differently for purposes of TBT Article 2.2 than it is for purposes of GATT Articles XX(b) and (d).[105] For example, in *US - Tuna II (Mexico)*, the Panel determined that, in the context of TBT Article 2.2, "the aspect of the measure to be justified as 'necessary' is its trade restrictiveness",[106] whereas, in the context of GATT Article XX, it is "the necessity of the measure for the achievement of the objective" – i.e., "the necessity…of the measures themselves."[107]

Considering the relatively greater recognition that recent TBT jurisprudence has accorded to WTO Members' sovereign right to regulate in furtherance of legitimate policy objectives at their chosen level of protection, provided technical regulations are not employed as unnecessary barriers to

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102 *See* Appellate Body Report, *United States - Section 211 Omnibus Appropriations Act of 1998*, WT/DS176/AB/R (Jan. 2, 2002), at par. 242.

103 *See* Susie Frankel and Daniel Gervais, *Plain Packaging and the Interpretation of the TRIPS Agreement*, supra at p. 44 ("It must be borne in mind that both paragraphs require that the measure be necessary (art.8.2 uses 'needed')."). *Accord* Nuno Carvalho, *The TRIPS Regime of Antitrust and Undisclosed Information*, Kluwer Law International (2007) at Sec. 8.5, p. 106, available at: http://books.google.com/books?id=ROC-Ago0WDYC&pg=PA107&lpg=PA107&dq=carvalho+%2B+article+8.2+%2B+deceptive+practices&source=bl&ots=YgX9YFZxaN&sig=woHRNjFgSeKXEVf-fPlOz_-F-Ak&hl=en&sa=X&ei=SqXgUfLUFJSy4APitICYCw&ved=0CC0Q6AEwAQ#v=onepage&q=carvalho%20%2B%20article%208.2%20%2B%20deceptive%20practices&f=false ("[W]hile Article 8.1 uses the expression 'measures necessary', [Article] 8.2 says that 'measures […] may be needed'. The words 'necessary' and 'needed' are synonymous.").

104 "The meaning of 'necessary' under Article XX(d) of the GATT 1947…most likely applies in the context of Paragraphs 1 and 2 of Article 8 as well." *Id*., at p. 107.

105 GATT Article XX provides that, "[s]ubject to the requirement that such measures are not applied in a manner which would constitute a means of arbitrary or unjustifiable discrimination between countries where the same conditions prevail, or a disguised restriction on international trade, nothing in this Agreement shall be construed to prevent the adoption or enforcement by any contracting party of measures…(b) necessary to protect human, animal or plant life or health…(d) necessary to secure compliance with laws or regulations which are not inconsistent with the provisions of this Agreement, including those…the prevention of deceptive practices." *See, e.g.,* Appellate Body Report, *Definitive Safeguard Measure on Imports of Certain Dairy Products ("Korea – Various Measures on Beef")*, WT/DS98/AB/R (adopted Jan. 12,), at par. 161and Panel Report, *EC - Trademarks and Geographical Indications (US)*, supra at pars. 7.298-7.300 (discussing "a process of weighing and balancing a series of factors…[to determine] whether a measure which is not 'indispensable' may nevertheless be 'necessary' within the meaning of [GATT] Article[s] XX(b) and (d) – i.e., "whether a WTO-consistent alternative measure which the Member concerned could 'reasonably be expected to employ' is available, or whether a less WTO-inconsistent measure is 'reasonably available'", as employed by the Appellate Body in several cases).

106 Panel Report, *United States – Measures Concerning the Importation, Marketing and Sale of Tuna and Tuna Products ("US-Tuna II (Mexico)"* WT/DS381/R (Sept. 15, 2011), at par. 7.460.

107 *Id*. According to the Appellate Body, "Article 2.2 does not prohibit measures that have any trade-restrictive effect"; rather, "Article 2.2 is…concerned with restrictions on international trade that exceed what is necessary to achieve the degree of contribution that a technical regulation makes to the achievement of a legitimate objective." Appellate Body Report, *United States — Measures Concerning the Importation, Marketing and Sale of Tuna and Tuna Products ("US - Tuna II (Mexico)")* WT/DS381/AB/R (May 16, 2012), at par. 319.

trade,[108] it is arguable that the interpretation and application of the term "necessary" in such cases should also govern the interpretation and application of the term "necessary for purposes of TRIPS Article 8. This means that, consistent with recent TBT jurisprudence, while a WTO tribunal undertaking a TRIPS Article 20 analysis of a measure "would be unlikely to challenge a WTO Member's determination of its public interest," it could nevertheless "consider the adequacy of that measure in terms of its stated objectives and its compatibility with TRIPS"[109] Article 8.[110]

A TRIPS Article 20 analysis would thus arguably engender a WTO tribunal evaluating the legal obligation to justify a special requirement's "encumbrance-ness" similarly to the way it would evaluate the legal obligation to justify a technical regulation's trade-restrictiveness for purposes of TBT Article 2.2. To this end, the Appellate Body has ruled that, "[i]n the context of Article 2.2, the assessment of 'necessity' involves a relational analysis of the trade-restrictiveness of the technical regulation, the degree of contribution that it makes to the achievement of a legitimate objective, and the risks non-fulfilment would create…[A]ll these factors provide the basis for the determination of what is to be considered 'necessary' in the sense of Article 2.2 in a particular case."[111] It also noted that, "[i]n most cases, this would involve a comparison of the trade-restrictiveness and the degree of achievement of the objective by the measure at issue with that of possible alternative measures that may be reasonably available and less trade restrictive than the challenged measure, taking account of the risks non-fulfilment would create."[112] This, in turn, would depend on the supporting evidence proffered.

With respect to the TRIPS Agreement's relationship to non-WTO law, TRIPS Article 8 would most likely be read in light of relevant sources of other international law. Relevant sources of other international law that a WTO tribunal would consider in evaluating plain tobacco packaging measures, for example, include the Framework Convention on Tobacco Control ("FCTC") and supporting guidelines.[113] Meanwhile, relevant sources of other international law a WTO tribunal would consider in evaluating measures prohibiting and restricting the marketing of infant formula, follow-up formula and complementary food products include the WHO International Code of Marketing of Breastmilk Substitutes ("WHO Code"), supporting World Health Assembly resolutions and other related WHO reports and documents.

These non-WTO sources of international law could be referenced for purposes of defining the scope of "public health" risks, identifying the applicable public health standard as determined by

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108 "[T]he object and purpose of the TBT Agreement is to strike a balance between, on the one hand, the objective of trade liberalization and, on the other hand, Members' right to regulate." Appellate Body Report, *United States- Measures Affecting the Production and Sale of Clove Cigarettes ("US-Clove Cigarettes")* WT/DS406/AB/R (Apr. 4, 2012) at par. 174. "The language of the [TBT Agreement's] sixth recital expressly acknowledges that Members may take measures necessary for, inter alia, the protection of human life or health, provided that such measures 'are not applied in a manner which would constitute a means of arbitrary or unjustifiable discrimination' or a 'disguised restriction on international trade' and are 'otherwise in accordance with the provisions of this Agreement'". *Id*., at par. 173.

109 *See* Susie Frankel and Daniel Gervais, *Plain Packaging and the Interpretation of the TRIPS Agreement*, supra at p. 43.

110 *Id.,* at pp. 43-44. According to Professor Gervais and other commentators, TRIPS Article 8 can be viewed as "part of the object and purpose of TRIPS". *Id*.

111 Appellate Body Report, *US - Tuna II (Mexico)* at par. 318.

112 *Id*., at par. 320.

113 *See* Susie Frankel and Daniel Gervais, *Plain Packaging and the Interpretation of the TRIPS Agreement*, supra at p. 44.

international consensus, and assessing the available scientific or other evidence.[114] And, as several commentators have noted, these sources of non-WTO law would be employed only to interpret the terms of the TRIPS Agreement (here, Articles 8 and 20), and not to renegotiate them.[115]

d. Applicable Burdens of Proof and Thresholds of Evidence for Establishing Justifiability Under TRIPS Article 20

In *United States - Measure Affecting Imports of Woven Wool Shirts and Blouses from India*,[116] the Appellate Body set forth the accepted framework for determining WTO disputants' respective burdens of proof. A complaining or defending party "who asserts the affirmative of a particular claim or defense" bears the burden of proof.[117] "If that party adduces evidence sufficient to raise a presumption that what is claimed is true, the burden then shifts to the other party, who will fail unless it adduces sufficient evidence to rebut the presumption."[118]

Legal commentators have advised that this burden of proof framework, which WTO tribunals have already applied to the multi-factor "necessity" test for evaluating the trade-restrictiveness of technical regulations under TBT Article 2.2,[119] should also be applied to the analogous multi-factor "necessity" test for evaluating the encumbrance-ness of special requirements under TRIPS Article 20, but in a manner that is consistent with TRIPS Article 8. They are of the view that "[TRIPS] Article 8 is relevant in justifying a measure that affects intellectual property rights, but (a) consistency with TRIPS must be established and (b) the party asserting the justification has the burden of proof."[120]

To recall, a multi-factor analysis analogous to that required under TBT Article 2.2[121] must be performed to ascertain whether the Draft HK Code's prohibitions and restrictions imposed on the use of trademarks, trade names, logos and symbols related to breastmilk substitute and supplement products are "necessary" to protect public health consistent with TRIPS Article 8.1,

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114 *Id*., at p. 45.
115 *Id*.
116 +, WT/DS33/AB/R (Apr. 25, 1997).
117 *Id*., at p. 14.
118 *Id*.
119 Appellate Body Report, *US - Tuna II (Mexico)* at par. 323; Appellate Body Report, *United States - Certain Country of Origin Labeling ('COOL') Requirements ("US-COOL")*, WT/DS384/AB/R, WT/DS386/AB/R (June 29, 2012), at par. 379. "With respect to the burden of proof in showing that a technical regulation is inconsistent with [TBT] Article 2.2, the complainant must prove its claim that the challenged measure creates an unnecessary obstacle to international trade. In order to make a prima facie case, the complainant must present evidence and arguments sufficient to establish that the challenged measure is more trade restrictive than necessary to achieve the contribution it makes to the legitimate objectives, taking account of the risks non-fulfilment would create. In making its prima facie case, a complainant may also seek to identify a possible alternative measure that is less trade restrictive, makes an equivalent contribution to the relevant objective, and is reasonably available. It is then for the respondent to rebut the complainant's prima facie case, by presenting evidence and arguments showing that the challenged measure is not more trade restrictive than necessary to achieve the contribution it makes toward the objective pursued and by demonstrating, for example, that the alternative measure identified by the complainant is not, in fact, 'reasonably available', is not less trade restrictive, or does not make an equivalent contribution to the achievement of the relevant legitimate objective." Appellate Body Report, *US - Tuna II (Mexico)* at par 323; Appellate Body Report, *US - COOL* at par. 379.
120 *See* Susie Frankel and Daniel Gervais, *Plain Packaging and the Interpretation of the TRIPS Agreement*, supra at p. 48.
121 TBT Article 2.2 includes the prevention of deceptive practices and the protection of human health or safety or animal or plant life or health as examples of legitimate policy objectives that WTO Members may freely pursue provided they do not adopt or apply measures that are more trade-restrictive than necessary to achieve those objectives. *See also* TBT Preamble, par. 6.

and/or to prevent deceptive or anti-competitive practices consistent with TRIPS Article 8.2.[122] A measure found to be "necessary" for purposes of Article 8 should then be deemed to constitute a "justifiable" encumbrance within the meaning of TRIPS Article 20.

Recent TBT jurisprudence reflects that the burden of proof is on the complainant to show that a technical regulation is inconsistent with TBT Article 2.2. The complainant must make a *prima facie* case showing "that the challenged measure creates an unnecessary obstacle to international trade" by providing "evidence and arguments sufficient to establish that the challenged measure is more trade restrictive than necessary to achieve the contribution it makes to the legitimate objectives, taking account of the risks non-fulfilment would create."[123] "In making its *prima facie* case, a complainant may also seek to identify a possible alternative measure that is less trade restrictive, makes an equivalent contribution to the relevant objective, and is reasonably available."[124] Once the complainant has made a prima facie case, the respondent government must "rebut the complainant's prima facie case, by presenting evidence and arguments [i.e., a 'defense'] showing that the challenged measure is not more trade restrictive than necessary to achieve the contribution it makes toward the objective pursued and by demonstrating, for example, that the alternative measure identified by the complainant is not, in fact, 'reasonably available', is not less trade restrictive, or does not make an equivalent contribution to the achievement of the relevant legitimate objective."[125]

Considering that both TRIPS Article 8 and TBT Article 2.2 are "prohibitions"[126] rather than "exceptions", the burden of proof framework applicable for purposes of determining whether an encumbrance is "necessary" under Article 8, and thus, "justifiable" under TRIPS Article 20, will arguably be similar to that currently applicable to TBT Article 2.2.[127] Consequently, "the complaining party has the [prima facie] burden to establish that there is an encumbrance by special requirement" and "that the encumbrance is unjustified" within the meaning of TRIPS Article 20.[128] Once that burden has been satisfied, "the respondent [government] carries the [prima facie] burden to show that the encumbrance is justified."[129]

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122 "Article 8.2 deals with measures aimed at preventing anti-competitive practices." *See* Nuno Carvalho, *The TRIPS Regime of Antitrust and Undisclosed Information*, supra at Sec. 8.7, fn. 187, p. 106. "[A] needed measure under Article 8.2 is the measure without which prevention of abuses cannot be achieved." *Id*., at p. 107.

123 Appellate Body Report, *US-Tuna II(Mexico)*, supra at par. 323, *citing* Appellate Body Report, *US - Wool Shirts and Blouses*, p. 14, DSR 1997:I, 323, at 335 and Appellate Body Report, *EC – Sardines*, pars. 277-280. *See also* Appellate Body Report, *US - COOL* at par. 379.

124 *Id*.

125 *Id*.

126 According to Professor Gervais, "Article 20 contains both an obligation (not to impose prohibited measures) but also the option of providing a justification." *See* Susie Frankel and Daniel Gervais, *Plain Packaging and the Interpretation of the TRIPS Agreement*, supra at p. 49.

127 The burden of proof framework applicable to a GATT Article XX multi-factor evaluation of the "necessity" of a measure that is not a technical regulation or standard, however, would not be suitable for purposes of TRIPS Articles 8 and 20. "Since GATT Article XX functions as a 'defense', the burden of proof is on the government to make "a prima facie case [by supplying sufficient evidence and arguments] showing that the measure is justified, [which may] vary according to what has to be proved". *See* World Trade Organization, "WTO Analytical Index - Guide to WTO Law and Practice" (June 2012), *GATT 1994 - General Agreement on Tariffs and Trade 1994, Interpretation and Application of Article XX*, at pars. 852-853, available at: http://www.wto.org/english/res_e/booksp_e/analytic_index_e/gatt1994_07_e.htm#fnt1161. Once that burden has been satisfied, the complainant must "rebut that prima facie case" supported by sufficient evidence and arguments." Id.

128 *See* Susie Frankel and Daniel Gervais, *Plain Packaging and the Interpretation of the TRIPS Agreement*, supra at p. 49.

129 *Id*.

The threshold of evidence required to satisfy these burdens would appear to depend on the importance of the public interests at stake, the severity of the restrictions imposed, and the nature of the trademark owner's legitimate interests threatened. On the one hand, this would mean that "the higher the nature of the [public] interest," the greater the complainant's burden is likely to be, and "the more likely a measure is to be considered necessary"[130] within the meaning of Article 8. Thus, TRIPS Article 8 "would support the view that [protecting breastfeeding and preventing deceptive marketing practices] has high importance",[131] consistent with "the broad latitude" WTO members enjoy "in making (valid) public policy choices and decisions on how to implement them."[132]

On the other hand, "the more trade restrictive a measure is" [or the more encumbering a special requirement is], "*the more evidence a party trying to justify the measure [special requirement] might be expected to have*, and the harder it might be to prove that alternative, less restrictive measures [special requirements] suggested by the complainant are inadequate" (emphasis added).[133] The potentially greater evidentiary threshold that governments will bear to justify significant trademark-use encumbrances is likely influenced by the fact that "TRIPS (unlike GATT or GATS) contains obligations concerning *specific rights of individual right holders*, and specific boundaries on limitations [and] exceptions to such rights" (emphasis in original).[134]

Lastly, WTO jurisprudence reflects that the threshold of evidence required to satisfy a party's *prima facie* burden with respect to a deceptive practices measure is "sufficient evidence",[135] while the threshold of evidence required to satisfy a party's *prima facie* burden with respect to a public health measure is "sufficient scientific evidence". For example, in *EC-Asbestos*,[136] the Panel concluded that its role in "taking into account the burden of proof, is to determine whether there is *sufficient scientific evidence* to conclude that there exists a risk for human life or health and that the measures taken by [the government of] France *are necessary in relation to the objectives pursued*" (emphasis added).[137] And, in *Clove Cigarettes*, the Panel concluded, that the WHO studies it had reviewed reflected "the best available scientific evidence", "show[ing] that the scientific community perceive cigarettes including additives that increase palatability…as having a characterizing flavour, as part of a same basket or category of cigarettes that attract consumers."[138]

4. The Draft HK Code Violates TRIPS Articles 8 and 20

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130 *Id*., at p. 46.
131 *Id.*
132 *Id*., p. 47.
133 *Id*., at pp. 46-47.
134 *Id*., at p. 47.
135 Appellate Body Report, *US – Tuna II (Mexico)* at par. 323; Appellate Body Report, *US - COOL* at par. 379.
136 Panel Report, *European Communities – Measures Affecting Asbestos And Asbestos-Containing Products*, WT/DS135/AB/R (March 12, 2001).
137 *Id*., at par. 8.182.
138 Panel Report *Clove Cigarettes*, at pars. 7.229-7.230, 7.414. The Panel ruled that there [was] extensive scientific evidence supporting the conclusion that banning clove and other flavoured cigarettes could contribute to reducing youth smoking." *Id*., at par. 7.415.

Various Draft HK Code provisions that prohibit or restrict the use of word marks and non-word marks associated with formula milk and complementary food products and formula milk-related non-food products in an effort to protect breastfeeding and prevent deceptive marketing practices violate TRIPS Articles 8 and 20. The burden of proof for establishing violations of these provisions is placed on the complaining party. Therefore, it will be necessary to demonstrate that such Draft HK Code provisions constitute special requirements and that they unjustifiably encumber the use of such marks, within the meaning of TRIPS Articles 8 and 20.

a. Draft HK Code Articles 4, 5 and 8 Impose Special Requirements Under TRIPS Article 20

Draft HK Code Article 4.2.1(b) restricts the use of graphic representations that can accompany information on specific brands of formula milk (and formula milk-related[139]) products disseminated by manufacturers or distributors to any person on their websites, at retail premises and at healthcare facilities. It limits such representations to only "a pack shot of a size *not more than one-tenth of the total space occupied by the information*" (emphasis added).[140] Draft HK Code Article 3 defines the term "pack shot" as "any representation of a designated product either by photograph or graphic illustration."[141]

The restriction placed by Draft HK Code Section 4.2.1(b) on the size of a pack shot of such products either individually or in a group to one-tenth of the total space occupied by the information will not permit third parties to view that product(s), inclusive of its packaging (e.g., a container) and labeling, in or close to its/their actual size. Consequently, said provision will indirectly affect both word marks, such as the characters comprising the name of a brand, and non-word marks, such as device, figurative or stylized marks (e.g., logos and combined marks containing stylized letters, shape marks and color marks) appearing on the product, its packaging and labels appearing in the pack shot. Said provision constitutes a "special requirement" under TRIPS Article 20 because it prescribes a specific size for a product image/illustration equal to one-tenth of the size of all informational/educational copy, which involves a significant reduction in its visual or other impact on consumers, and thus, its distinctiveness. This restriction in the size of product images appearing on print materials and on company websites makes it difficult for consumers to distinguish these product(s) from other formula milk or formula milk-related goods in the Hong Kong marketplace, including counterfeit products.

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139 Draft HK Code Art. 3 defines "formula milk-related products" as "feeding bottles, teats, and pacifiers for infants and young children."

140 Draft HK Code Art. 4.2.1(b). Draft HK Code Article 4.2.1(b) requires that such information be "devoid of photographs, pictures or any graphic representation other than for illustrating methods of preparation, except for a pack shot of a size not more than one-tenth of the total space occupied by the information." *Id*.

141 Draft HK Code Art. 3, p. 15. The German-English Technical Dictionary defines pack shot as "a photograph or short piece of film showing a product and its package in a way that can be used to advertise the product." *See* German-English Technical Dictionary, *Packshot*, available at: http://technical_de_en.enacademic.com/100724/Packshot#sel=. The Oxford Dictionary defines a pack shot as "a close-up picture of the advertised product in its packaging." *See* Oxford Dictionaries, *Pack Shot*, available at: http://oxforddictionaries.com/us/definition/english/pack-shot. Wikipedia defines pack shot as "a still or moving image of a product, usually including its packaging and labeling, used to portray the product's reputation in advertising or other media. It is an important stimulus to sales, with the goal of triggering in-store, on-shelf product recognition" (emphasis added). *See* Wikipedia, *Packshot*, available at: http://en.wikipedia.org/wiki/Packshot.

Draft HK Code Article 4.3.1(a) prohibits all use of "the brand name, logo or trademark of any formula milk and formula milk-related product" on informational/educational materials or in informational/educational activities addressing matters related to infants and young children, *other than breastfeeding and formula milk feeding*, that manufacturers and distributors disseminate/provide to the public.[142] Draft HK Code Article 4.4.1(d) prohibits all use of "the brand name, logo or trademark of any formula milk and formula milk-related product", *and* all use of "the names of any manufacturer or distributor of formula milk and formula milk related product", on informational/educational materials *which refer to infant and young child feeding and nutrition* that third-party marketers disseminate on behalf of manufacturers or distributors by via various media "to reach the general public, pregnant women and/or mothers of children aged 36 months or below."[143] While it may be assumed that each of these prohibitions apply to all product-related word marks and non-work marks in the conjunctive, rather than to one or the other of such marks in the disjunctive, this is not clear. In any event, these provisions constitute "special requirements" within the meaning of TRIPS Article 20 because they prescribe specific non-use requirements for specific product-related intellectual property assets displayed or otherwise identified on or in connection with materials discussing specific categories of subject matter that serve to significantly restrict trademark owners' ability to distinguish their products and/or companies from competing companies and products in the Hong Kong marketplace.[144]

Draft HK Code Article 5.1 prohibits "any promotional activities involving formula milk and formula milk-related products."[145] Draft HK Code Article 5.4(a) states that promotional activities include "advertising". Draft HK Code Article 3 defines the term "advertisement" as "advertising intended for the general public which is published by *any means* including…(d) display of…labels…or goods" (emphasis added).[146] Draft HK Code Article 5.4(d) treats as prohibited promotional activities all disseminations of informational/educational materials on breastfeeding and formula milk feeding except those allowed under Draft HK Code Articles 4.2.1, 4.2.2 and 4.4.1.

Draft HK Code Article 5.1 constitutes a "special requirement" for purposes of TRIPS Article 20. As part of its total prohibition of promotional activities surrounding formula milk and formula milk-related products, it impliedly prescribes specific non-use requirements with respect to all word marks and non-word marks of specific products and the names of all manufacturers and distributors of such products, in all mediums of communication, including business documents and business advertising. These *implied non-use requirements* serve to significantly restrict trademark owners' and licensees' ability to distinguish their products and/or companies from competing products and companies in the Hong Kong marketplace, especially from counterfeit products which present a particular problem in the China region.[147] They also deprive the trademark owners and their licensees of their legitimate interests in directly and indirectly using those word marks, non-word

142 Draft HK Code Art. 4.3.1 bans altogether the dissemination by manufacturers and distributors of informational/educational materials addressing matters related to breastfeeding and formula milk feeding.
143 Draft HK Code Art. 4.4.1(d).
144 Parts 1 and 2 of this article previously discussed how other aspects of the Draft HK Code Article 4 prohibitions and restrictions on branded product information and informational/educational materials on infant and young child feeding violate, respectively, the SPS and TBT Agreements.
145 Draft HK Code Art. 5.1.
146 Draft HK Code Art. 3, p. 8.
147 *See* discussion, *supra*, Sec. II.3.a, and accompanying fns. 62-66.

marks, and names ("IP assets") in the Hong Kong marketplace. Draft HK Code Article 5's prohibition is so broad that it also affects the ability of manufacturers, distributors and/or licensees to exploit in the Hong Kong marketplace other intangible assets such as company brand reputation and goodwill that are associated with the use of the IP assets noted above.[148]

Draft HK Code Article 7.3.2(d) imposes a partial prohibition on the use of trademarks and logos in printed materials and in backdrops for manufacturer or distributor-funded healthcare worker continuing education activities related to maternal and child health.[149] While prohibiting the use of infant formula *product* names, brand names or trademarks, it permits the use of *company* names or logos in connection with such activities. Said provision effectively tries to separate company names from company products. Although it allows corporate event sponsors or participants to distinguish themselves as *companies* from competing companies, this provision nevertheless prevents such trademark owners from using product word marks and non-word marks to identify and then distinguish their *products* from competing *products* among Hong Kong's healthcare provider community which, like similar communities around the world, has long served as a vibrant channel of distribution for formula milk *products.*[150] This provision, in particular, targets the very sizeable and market-dominant government-operated healthcare provider community of Hong Kong.[151] Said provision constitutes a "special requirement" under TRIPS Article 20 because it prohibits use of specific word mark and non-word mark assets with respect to specific activities targeted at a specific audience, and thereby denies trademark owners the ability to distinguish their *products* from competing products within this specialized market in the Hong Kong marketplace.

Draft HK Code Article 8.2.1(a) partially prohibits the use of a company logo *or* a product trademark on product labels and containers to *no more than one use*. "[T]he container of formula milk or the label affixed thereto may show one occurrence of *either* a company logo or a trade mark of the product" (emphasis added).[152] In addition to other container and labeling information required under the HK Labeling and Composition Regulation (Cap 132W),[153] and formula milk preparation warnings of a specified minimum size required by Draft HK Code Article 8.2.1(f),[154] Draft HK Code

148 Parts 1 and 2 of this article previously discussed how other aspects of the Draft HK Code Article 5 prohibitions and restrictions on formula milk and formula milk-related product promotional activities, including advertising, violate, respectively, the SPS and TBT Agreements.

149 Draft HK Code Art. 7.3.2(d).

150 According to one US study, "From the early twentieth century until the late 1980s, most formula companies abandoned direct-to-consumer advertising and used the medical community as their sole advertising vehicle." *See* Deborah L. Kaplan and Kristina M. Graff, *Marketing Breastfeeding—Reversing Corporate Influence on Infant Feeding Practices*, J. Urban Health v.85(4) (July 2008) available at: http://www.ncbi.nlm.nih.gov/pmc/articles/PMC2443254/#CR7, *citing* Greer FR, Apple RD. Physicians, formula companies, and advertising. A historical perspective. Am J Dis Child. 1991;145(3):282–6. "In 1989, the first-ever infant formula television commercial was aired, initiating a new wave of formula marketing that targets consumers directly." *Id*.; *citing also* Oski FA. Heating up the bottle battle. The Nation. 1989;249(19):665–7.

151 In Hong Kong, "more than 90% of children born to local parents [have been] registered with Maternal and Child Health Centres (MCHCs)". *See* Shirley Leung, Cynthia Leung and Wai-yin Luk, *Survey of Infant and Young Child Feeding in Hong Kong: Parental Perceptions and Practices* (2012), at p. 6, available at: http://www.fhs.gov.hk/english/archive/files/reports/Survey_IYCF_parents%20perception.pdf.

152 Draft HK Code Art. 8.2.1(a).

153 Draft HK Code Art. 8.2.1(c).

154 Draft HK Code Art. 8.2.1(f) provides that "the container of formula milk or the label affixed thereto should…contain[] the following statements under the instructions for preparation of formula milk in powdered form, of not less than 1.5 mm in height – (i) 'Powdered formula milk is not a sterile product and may become contaminated during preparation'; (ii) 'It is

Articles 8.2.1(d)[155] and (e)[156] also mandate the inclusion of other non-food safety-related statements on formula milk product containers and labels.

Draft HK Code Article 8.2.1(a) constitutes a "special requirement" for purposes of TRIPS Article 20. The provision partially prohibits the use of a trademark in commerce by limiting formula milk product containers and labels to only *one placement* of *a* word-mark *or* a non-word mark, thereby compelling manufacturers to choose between them for product identification and distinction purposes. The effect of such provision is to reduce the visual or other impact of the chosen mark on consumers and therefore its distinctiveness, thereby impeding the ability of trademark owners to distinguish such products from competing products in the Hong Kong marketplace. The provision also requires the inclusion of additional statements on formula milk product containers and labels of a minimum font size, beyond those required for food safety and manufacturer identification purposes. These additional statements serve to occupy even more space on formula milk product containers and labels and to 'crowd out' an already restricted trademark, which further limits the ability of the trademark owner to "use" their trademarks to distinguish their products from competing products in the Hong Kong marketplace.

As noted above, each of these provisions impose "special" conditions on "specific" products that affect the usage of product-related trademarks. In particular, they prohibit or restrict the use of word marks and non-word marks associated with formula milk and formula milk-related products and infant and young children's food products that are suitable for infants and young children *aged 36 months or below*, and which are thus effectively deemed breastmilk "substitutes" or "supplements". These provisions deny product manufacturers, distributors and licensees the ability to distinguish their products from competing products in the Hong Kong marketplace and, to such extent, deprive them of their ability to use these intangible assets for pecuniary gain. Specifically, Draft HK Code Article 8.6.1 constitutes a "requirement" because it effectively denies entry of infant formula, follow-up formula, liquid and solid complementary food products, and formula milk-related non-food products into the Hong Kong marketplace unless and until compliance with each applicable product container and label provision is secured. And, Draft HK Code Articles 4.2.1(b), 4.3.1(a), 4.4.1(d), 5.1, 7.3.2(d) and 8.2.1(a) constitute "requirements" because all industry assertions of compliance therewith are subject to third party and mostly governmental compliance/enforcement oversight pursuant to Draft HK Code Article 10 and accompanying Annex

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necessary for formula milk to be prepared one feed at a time using boiled water allowed to cool to no less than 70OC∗'; and (iii) 'Discard any feed that has not been consumed more than two hours after reconstitution'"

155 Draft HK Code Art. 8.2.1(d) provides that "the container of formula milk or the label affixed thereto should…contain the word 'IMPORTANT NOTICE' in capital letters and indicate[] thereunder the statement 'Breastfeeding is the normal means of feeding infants and young children. Breastmilk is the natural food for their healthy growth and development. Use of breastmilk substitutes may put infants and children at risk of diarrhoea and other illnesses'. [Said statement should be of a size] not less than 2 mm in height."

156 Draft HK Code Art. 8.2.1(e) provides that "the container of formula milk or the label affixed thereto should…contain the word 'Warning' and indicate[] thereunder the following statement – (i) in the case of infant formula: "Before deciding to supplement or replace breastfeeding with this product, seek the advice of a health professional as to the necessity of its use. It is important for your baby's health that you follow all preparation instructions carefully. If you use a feeding bottle, your baby may refuse to feed from the breast.' [This statement should be of a size] not less than 1.5 mm in height; (ii) in the case of follow-up formula: 'Before deciding to supplement or replace breastfeeding with this product, seek the advice of a health professional as to the necessity of its use. It is important for your baby's health that you follow all preparation instructions carefully.' [This statement should be of a size] not less than 1.5 mm in height."

I.[157] Consequently, these provisions, individually and collectively qualify as "special requirements" within the meaning of TRIPS Article 20.

b. The Hong Kong Trade Mark Ordinance Provides for Both Positive and Negative Trademark Rights, in Defining Foreign Trademark Owners' Legitimate Interests

Draft HK Code Article 3 defines the term "trademark" consistent with the Hong Kong Trade Mark Ordinance ("TMO").[158] Significantly, Section 10 of the Hong Kong TMO emphasizes that a registered trademark is both a "positive" and "negative" property right. "A registered trade mark is a property right obtained by the registration of the trade mark under this Ordinance…The owner of a registered trade mark has the rights and is entitled to the remedies provided by this Ordinance."[159]

Section 27 of the Hong Kong TMO unequivocally states that "[a] registered trade mark *is personal property*…transmissible by assignment, testamentary disposition or operation of law in the same way as other personal property; and it is so transmissible either in connection with the goodwill of a business or independently" (emphasis added).[160] "A registered trade mark may be the subject of a charge *in the same way as other personal property*" (emphasis added).[161] In addition, "[w]here a trade mark is registered in the name of 2 or more persons jointly, each of them is entitled, subject to any agreement to the contrary, to an equal undivided share in the registered trade mark."[162] Also, "*equities in respect of a registered trade mark* may be enforced in like manner as in respect of *other personal property*" (emphasis added).[163] In sum, the Hong Kong TMO reaffirms that, "Sections 27 to 30…relate to a registered trade mark as *an object of property*" (emphasis added).[164]

Furthermore, Section 14(1) of the Hong Kong TMO provides that, "the owner of a registered trade mark has exclusive rights in the trade mark which are infringed[165] by use of the trade mark in Hong

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157 *See* Draft HK Code Arts. 10.1-10.4; Annex I.

158 Draft HK Code Art. 3, p. 15, *citing* Hong Kong Law Cap. 559, Trade Mark Ordinance, Sections 3(1)-(2).

159 Hong Kong Law Cap. 559, Trade Mark Ordinance, Sections 10(1)-(2).

160 *Id*., Sections 27(1)-(2).

161 *Id*., Sec. 27(7).

162 *Id*., Sec. 28(1). "[E]ach co-owner is entitled, by himself or his agents, to do for his own benefit and without the consent of or the need to account to any other co-owner, any act which would otherwise constitute an infringement of the registered trade mark." *Id*., Sec. 28(3). However, "[o]ne co-owner may not without the consent of each other co-owner-(a) grant a licence to use the registered trade mark; or (b) assign or charge his share in the registered trade mark." *Id*., Sec. 28(4). Furthermore, "one co-owner may not, without the leave of the court, proceed with [an infringement]…action unless each other co-owner is either joined as a plaintiff or added as a defendant." *Id*., Sec. 28(5).

163 *Id*., Sec. 30(2).

164 *Id*., Sec. 31(1).

165 "*Goods are infringing* goods, in relation to a registered trade mark, *if the goods or their packaging* bear a sign identical or similar to the registered trade mark and- (a) the application of the sign to the goods or their packaging constituted an infringement of the registered trade mark at the time the sign was applied; (b) *the goods are proposed to be imported into Hong Kong and the application of the sign in Hong Kong to the goods or their packaging would constitute an infringement of the registered trade mark*; or (c) the sign has otherwise been used in relation to the goods in such a way as to infringe the registered trade mark" (emphasis added). *Id*., at Sec. 17(2)(a)-(c). "*Material is infringing* material, in relation to a registered trade mark, *if the material* bears a sign identical or similar to the registered trade mark and either- (a) the material is used- (i) *for labelling goods*; (ii) *for packaging goods*; (iii) *as a business paper*; or (iv) *for advertising goods* or services, in such a way as to infringe the registered trade mark; or (b) the material is intended to be so used and such use would constitute an infringement of the registered trade mark" (emphasis added). *Id*., at Sec. 17(3)(a)-(b). "*Articles are infringing* articles, in relation to a registered trade mark, if- (a) *the articles* are specifically designed or adapted for making copies of a sign identical or similar to the registered trade mark; and (b) the articles are in the possession, custody or control of a person who knows or has reason to

Kong without his consent",[166] subject to certain limitations.[167] For purposes of ascertaining whether trademark infringement has occurred, a person will be considered to "use[] a sign" "if, in particular, he- (a) applies it to goods or their packaging; (b) offers or exposes goods for sale under the sign; (c) puts goods on the market under the sign; (d) stocks goods under the sign for the purpose of offering or exposing them for sale or of putting them on the market; (e) offers or supplies services under the sign; (f) imports or exports goods under the sign; or (g) uses the sign on business papers or in advertising."[168]

In addition to holding infringers directly accountable for trademark infringement, Section 18(5) of the Hong Kong TMO also holds third parties whose acts facilitate such infringement legally accountable for trademark infringement. For example, "[n]otwithstanding subsection (5), a person who applies or causes to be applied a registered trade mark, or a sign similar to a registered trade mark, to material which is intended to be used- (a) for labelling or packaging goods; (b) as a business paper; or (c) for advertising goods or services, shall be treated as a party to any use of the material which infringes the registered trade mark if, at the time the trade mark or sign was applied to the material, he knew or had reason to believe that its application to the material was not authorized by the owner of the registered trade mark or by a licensee."[169] However, a trademark infringement shall not be deemed to occur if a person uses in advertising a registered trade mark "for the purpose of identifying goods or services as those of the owner of the registered trade mark or a licensee", unless "such use…is otherwise than in accordance with honest practices in industrial or commercial matters."[170]

Moreover, "[a]n exclusive licence may provide that the exclusive licensee shall, to such extent as may be provided by the licence, have the same rights and be entitled to the same remedies in respect of matters occurring after the grant of the licence as if the licence had been an assignment."[171] This means that, "[a]n exclusive licensee has the same rights against a successor in title who is bound by the licence as he has against the person granting the licence."[172]

These Hong Kong TMO provisions collectively establish and confirm the legitimate interests of trademark owners in Hong Kong which reflect both positive and negative property right interests.

c. Various Draft HK Code Provisions Unnecessarily/Unjustifiably Encumber Foreign Trademark Owners' Legitimate Interests Under TRIPS Articles 8 and 20

Draft HK Code Articles 4.2.1(b), 4.3.1(a), 4.4.1(d), 5.1, 7.3.2(d) and 8.2.1(a) are arguably more trademark-encumbering than necessary to achieve the Draft HK Code's public policy objectives of

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believe that they have been or are to be used to produce infringing goods or material" (emphasis added). *Id*., at Sec. 17(4)(a)-(b).
166 *Id*., Sec. 14(1).
167 *Id*., Sec. 14(2).
168 *Id*., Sec. 18(5)(a)-(g).
169 *Id*., at Sec. 18(6).
170 *Id*., at Sec. 21.
171 *Id*., Sec. 34(1).
172 *Id*., Sec. 34(2).

protecting public health/breastfeeding and preventing deceptive formula milk and complementary food marketing practices believed to affect consumer decisions/choice regarding breastfeeding.

i. The Degree to Which the Draft HK Code's Trademark-Encumbering Special Requirements Are Capable of Contributing to the Achievement of the Code's Legitimate Objectives is Uncertain

A. Product Safety and Quality and Infant Nutrition Influence Consumer Infant Formula Purchasing Decisions More Than Trademarks, Logos & Symbols

The degree to which the various Draft HK Code trademark-encumbering provisions are capable of contributing to the achievement of the Code's public policy objectives is arguably uncertain. No definitive studies have been undertaken that can causally relate the use of word marks and non-word marks in infant formula, follow-up formula, complementary food product promotional activities, including advertising, generally, or with respect to specific brands, to reduced breastfeeding rates, or to an increase in deceptive marketing, *especially in developed countries like Hong Kong*. Nor have any definitive studies been performed which causally or otherwise demonstrate that prohibitions and restrictions on the use of word marks and non-word marks on formula milk product containers and labels, in product information and other informational/educational materials and in advertising intended for parents and caregivers of infants and young children aged 36 months or below will increase breastfeeding rates or reduce the deceptive marketing practices alleged to occur with respect to such products *in developed countries, like Hong Kong*. Nor has the GHK-SAR bothered to perform an economic impact assessment to indicate how severely such provisions would affect the value and alienability of what amount to mostly foreign IP assets, and consequently, international trade in the products with which they are associated.

The dearth of studies demonstrating any such causal relationships is likely attributable to the indirect and non-easily quantifiable role that trademarks, logos, symbols and packaging actually play in establishing an infant formula, follow-up formula or complementary food product's "brand equity"[173] in the marketplace. Brand equity is largely dependent on consumer "brand knowledge", which consists of "brand awareness" and "brand image".[174] Word marks and non-word marks comprise only part of "brand awareness",[175] which is usually insufficient, without "brand image",[176]

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173 Brand equity "is ultimately derived in the marketplace from the words and actions of consumers…[It] is the differential effect that consumers' brand knowledge has on their response to brand marketing activity." See Kevin Lane Keller, *Measuring Brand Equity*, Chap. 26 in "The Handbook of Marketing Research: Uses, Misuses and Future Advances", Rajiv Grover and Marco Vriens Eds., (Sage Publ. 2006) at p. 2, available at: http://www.terry.uga.edu/~rgrover/chapter_26.pdf; http://www.terry.uga.edu/~rgrover/hb_main.html.

174 Brand knowledge consists of "all the thoughts, feelings, perceptions, images, experiences, and so on that become linked to the brand in the minds of consumers." Brand awareness and brand image are "[t]wo particularly important components of brand knowledge." *Id*.

175 "Brand awareness is related to the strength of the brand node or trace in memory as reflected by consumers' ability to recall or recognize the brand under different conditions." *Id*., p. 2. "Brand awareness is related to the strength of the brand in memory, as reflected by consumers' ability to identify various brand *elements* (i.e., the brand name, logo, symbol, character, packaging, and slogan) under different conditions." *Id*., at p. 10.

176 "Brand image is defined as consumer perceptions of and preferences for a brand, as reflected by the various types of brand associations held in consumers' memory. These associations range along a number of different dimensions, such as their strength, positivity, uniqueness, and abstractness. *Strong, favorable and unique brand associations are essential as sources of brand equity to drive consumer behavior*" (emphasis added). *Id*., at p. 3.

to build brand equity.[177] Given their visual nature, word marks and non-word marks have the greatest influence upon consumer purchasing decisions if those decisions are made at point-of-purchase; "if consumer purchasing decisions are instead mostly made in other settings away from the point-of-purchase where the brand elements are not physically present, on the other hand, then brand recall and verbal measures will be more important".[178]

In such case, brand image and its dependence on the various types of brand associations held in consumers' memory assume a larger role. Brand associations may be based on functional, performance-related considerations as well as on more abstract imagery-related considerations.[179] "Brand performance relates to the ways in which the product or service attempts to meet customers' more functional needs…[It] refers to the intrinsic properties of the brand in terms of inherent product or service characteristics", including quality, operability and pricing.[180] Brand imagery "refers to more intangible aspects of the brand", including "the ways in which the brand attempts to meet customers' more psychological or social needs."[181] Brand imagery also consists of higher order associations involving "customers' own personal opinions and evaluations with regard to the brand."[182] These associations assume the form of "brand judgments", especially those relating to brand quality and brand credibility/trustworthiness",[183] as well as, "brand feelings" (i.e., "customers' emotional responses and reactions").[184] Among the most enduring of brand feelings is "brand security", which "occur[s] when the brand produces a feeling of *safety*, comfort, and self-assurance" (emphasis added).[185]

Since at least 2004, Hong Kong and Chinese consumers and local media have expressed considerable concern about the lack of safety and integrity, and thus, security associated with mainland China infant formula branded products, and this has had a marked impact on consumer

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177 *Id*., at p. 14.

178 "If research reveals that many consumer decisions are made at the point-of-purchase where the brand name, logo, packaging, and so on will be physically present and visible, then brand recognition and visual awareness measures will be important. *If[, however,] research reveals that consumer decisions are mostly made in other settings away from the point-of-purchase where the brand elements are not physically present, on the other hand, then brand recall and verbal measures will be more important*" (emphasis added). *Id*., at p. 11. It is, for this reason, that "the proper treatment of the brand in terms of trademark usage, packaging, and communications" comprises only one of many elements of a company's brand management strategy. *Id*., at p. 41.

179 *Id*., at p. 15.

180 *Id*."[T]here are five important types of attributes and benefits that often underlie brand performance…1) Primary characteristics & supplementary features…2) Product reliability, durability, & serviceability…3) Service effectiveness, efficiency, and empathy… 4) Style and design… 5) Price." *Id*., at pp. 15-17.

181 *Id.*, at p. 17. Several categories of intangibles have been identified: "1) User profiles…2) Purchase situations…3) Usage situations…4) Personality and values…5) History, heritage, and experiences." *Id*., at pp. 17-18.

182 *Id*., at p. 19.

183 "[F]our types of summary brand judgments are particularly important: 1) Brand quality. Among the most important attitudes that customers may hold relates to the *perceived quality of the brand*…2) Brand credibility…Brand credibility refers to the extent to which the company or organization making the product or providing the service as a whole is seen as being: 1) Competent, innovative, and a market leader (brand expertise);
2) Dependable and keeping customer interests in mind (*brand trustworthiness*)…3) Brand consideration…4) Brand superiority." *Id*. at pp. 19-20.

184 *Id.*, at p. 20.

185 *Id*., at p. 21. "Six important types of brand-building feelings" have been identified: "1) Warmth…2) Fun…3) Excitement…4) *Security*…Feelings of security are when consumers do not experience worry or concerns that they might have otherwise felt as a result of the brand…5) Social approval…6) Self-respect" (emphasis added). *Id*., at pp. 21-22.

demand for foreign infant formula brands in the Hong Kong marketplace and beyond.[186] In addition, Hong Kong mothers have continued to rely primarily on formula milk and solid foods beyond the first 6 months of a child's life on health and nutrition grounds, likely based on the results of a 2010 study demonstrating the risk of iron deficiency for infants exclusively breastfed for more than six months.[187] This practice appears to have been recently validated in a 2013 medical study which found an increased risk of iron deficiency among infants *exclusively breastfed beyond the first 12 months of life*.[188] Therefore, it is arguable that Hong Kong (and mainland Chinese)

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186 *See, e.g.,* Edward Wong, *Chinese Search for Infant Formula Goes Global*, New York Times (July 25, 2013), available at: http://www.nytimes.com/2013/07/26/world/asia/chinas-search-for-infant-formula-goes-global.html?pagewanted=all; Li Yao, *Hong Kong Sets Baby Formula Limits*, China Daily (3/4/13), available at: http://www.chinadaily.com.cn/china/2013-03/04/content_16271673.htm; Associated Press, *China: Baby Formula Safety Affects Nation's Future* (May 31, 2013), available at: http://abcnews.go.com/International/wireStory/china-baby-formula-safety-affects-nations-future-19295485#.Ua0TZEDCaSo. *See also* Pew Research Centre, *Growing Concerns in China about Inequality, Corruption - Ratings for the U.S. Decline* (Oct. 16, 2012), at pp. 1, 3, 7-9, available at: http://www.pewglobal.org/files/2012/10/Pew-Global-Attitudes-China-Report-FINAL-October-10-2012.pdf ("Worries about consumer protection have also increased significantly. After a number of high-profile food safety scandals in recent years, concerns about the safety of food have more than tripled since 2008…Consumer protection is another rising concern. Four years ago, just 12% rated food safety a very big problem; today, it's 41%."). *Id*.

187 According to 2010 study reported in the journal Pediatrics, "*[e]xclusive breastfeeding for more than 6 months has been associated with increased risk of IDA at 9 months of age. Recommendations for exclusive breastfeeding for 6 months do not take into account infants who are born with lower-than-usual iron stores (low birth weight infants, infants of diabetic mothers), a condition that also has been linked to lower SF concentrations at 9 months of age*. In a double-blind study, Friel et al demonstrated that exclusively breastfed infants supplemented with iron between 1 and 6 months of age had higher Hb concentration and higher mean corpuscular volume at 6 months of age than did their unsupplemented peers. Supplementation also resulted in better visual acuity and higher Bayley Psychomotor Developmental Indices at 13 months. *Thus, it is recommended that exclusively breastfed term infants receive an iron supplementation of 1 mg/kg per day, starting at 4 months of age and continued until appropriate iron-containing complementary foods have been introduced* (Tables 3 and 4). For partially breastfed infants, the proportion of human milk versus formula is uncertain; therefore, beginning at 4 months of age, infants who receive more than one-half of their daily feedings as human milk and who are not receiving iron-containing complementary foods should also receive 1 mg/kg per day of supplemental iron" (emphasis added). *See* Robert D. Baker, Frank R. Greer, *Diagnosis and Prevention of Iron Deficiency and Iron-Deficiency Anemia in Infants and Young Children (0 -3 Years of Age)*, Pediatrics Vol. 126, No. 5 (Nov. 2010), pp. 1040-1050, at p. 1044, available at: http://pediatrics.aappublications.org/content/126/5/1040.full.pdf+html. *See also* Department of Pediatrics Madigan Army Medical Center, *Madigan Army Medical Center Clinical Practice Guidelines - Clinical Guideline for the Management and Screening for Anemia in Infants and Children* (July 2012), at pp. 1-2, available at: http://www.mamc.amedd.army.mil/Clinical/Documents/Pediatrics/Infant_Anemia/Anemia_in_Infants_and_Children.pdf ("Term, healthy infants have sufficient iron for at least the first 4 months of life. Human milk contains very little iron. *Exclusively breastfed infants are at increasing risk of ID after 4 completed months of age. Therefore, at 4 months of age, breastfed infants should be supplemented with 1 mg/kg per day of oral iron until appropriate iron-containing complementary foods (including iron-fortified cereals) are introduced in the diet.* For partially breastfed infants, the proportion of human milk versus formula is uncertain; therefore, beginning at 4 months of age, partially breastfed infants (more than half of their daily feedings as human milk) who are not receiving iron containing complementary foods should also receive 1 mg/kg per day of supplemental iron.").

188 "In a cross-sectional analysis of 1647 children aged 1 to 6 years, the odds of iron deficiency increased by 4.8% for each month of breast-feeding, lead author Jonathon L. Maguire, MD, and colleagues report in an article published online April 15 in *Pediatrics*…[This study was the first to document] 'a relationship between breastfeeding beyond 12 months of age and reduced iron stores'…[It found] a statistically significant association between breast-feeding duration and the odds of iron deficiency (odds ratio [OR], 1.026; 95% confidence interval [CI], 1.004 - 1.050). *A total breast-feeding duration longer than 12 months was associated with* an adjusted OR for *iron deficiency* of 1.71 (95% CI, 1.05 - 2.79) *compared with a duration of less than 12 months*. The adjusted OR for iron deficiency was 1.048 for each additional month of breast-feeding, or an odds increase of 4.8% per month (95% CI, 1.02 - 1.08)" (emphasis added)." *See* Norra MacReady, *Longer Breast-feeding May Mean Lower Iron Levels*, Medscape Today News (April 17, 2013), available at: http://www.medscape.com/viewarticle/782647; Norra MacReady, *Breast-Feeding Duration and Iron Deficiency Risk in Offspring*, Medscape Education (May 30, 2013), available at: http://www.medscape.org/viewarticle/802996. *See also* Maguire JL, Salehi L, Birken CS, Carsley S, Mamdani M, Thorpe KE, Lebovic G, Khovratovich M, Parkin PC, *Association Between Total Duration of Breastfeeding and Iron Deficiency*, *Pediatrics* (April 15, 2013), 10.1542/peds.2012-2465, Abstract available at:

consumer purchasing decisions in favor of foreign infant formula products are largely, if not, entirely made *before* consumers reach the point-of-purchase, amid a continuing flow of confusing, conflicting and inconclusive information concerning the optimal duration and benefits to be derived from exclusive breastfeeding.[189] Since, in such a volatile and dynamic market environment that continues to make sense of emerging scientific and anecdotal data, the trust that Hong Kong consumers have placed in foreign infant formula brands appears to play a far more significant role in influencing their infant formula purchasing decisions than does the visual impact of trademarks, logos, symbols and packaging alone. Consequently, the Draft HK Code's curtailment of the use of infant formula trademarks, logos and symbols will not likely contribute much to protecting breastfeeding and/or to preventing deceptive marketing practices.

B. Formula Milk and Complementary Food Company Marketing Efforts Do Not Ensure Consumer Brand Loyalty

It is therefore not surprising that a 2012 GHK-SAR observational study focusing exclusively on infant and young child consumption of milk in Hong Kong was unable to draw any definitive connection between its findings of excessive milk intake by Hong Kong 12-48 month olds, persistent bottle feeding, parents' favorable views toward formula milk, and formula milk company advertising.[190] The study's authors concluded, without substantiating evidence, that "[t]he findings *probably reflect* the permeation of aggressive formula advertising and parents' lack of awareness of the nutritive value of homemade food using everyday ingredients" (emphasis added).[191]

The U.S. Government Accountability Office ("GAO"), as well, was previously unable to draw a definitive connection between post-hospital discharge breastfeeding rates and formula milk company marketing efforts *unrelated to* the Special Supplemental Nutrition Program for Women, Infants, and Children ("WIC") administered by the United States Department of Agriculture ("USDA"). A 2006 GAO study[192] had found that the WIC program policy, itself, had unwittingly contributed to a reduction in post-hospital discharge breastfeeding rates[193] "among women who received formula company-produced discharge packs and/or formula or formula coupons from WIC

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http://pediatrics.aappublications.org/content/early/2013/04/10/peds.2012-2465.abstract?ct=ct; Peter Allen, *French Vegan Couple Whose Baby Died of Vitamin Deficiency After Being Fed Solely on Breast Milk Face Jail for Child Neglect*, Mail Online (March 30, 2011), available at: http://www.dailymail.co.uk/news/article-1371172/French-vegan-couple-face-jail-child-neglect-baby-died-vitamin-deficiency.html.
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189 Part 2 of this article identifies and discusses various sources of research on this subject matter. *See* Part 2, Sections II.6.c.i; II.6.d.iii.

190 *See* Shirley Leung, Cynthia Leung and Wai-yin Luk, *Survey of Infant and Young Child Feeding in Hong Kong: Parental Perceptions and Practices*, supra.

191 *Id.*, at p. 20.

192 *See* United States Government Accountability Office (GAO), *Breastfeeding: Some Strategies Used to Market Infant Formula May Discourage Breastfeeding; State Contracts Should Better Protect Against Misuse of WIC Name*, Report to Congressional Addresses. GAO-06–282, (Feb. 2006), available at: http://www.gao.gov/new.items/d06282.pdf.

193 *See* Deborah L. Kaplan and Kristina M. Graff, *Marketing Breastfeeding—Reversing Corporate Influence on Infant Feeding Practices*, J Urban Health. 2008 July; 85(4): 486–504 (May 2008), available at: http://www.ncbi.nlm.nih.gov/pmc/articles/PMC2443254/. These authors also noted that "[o]ther studies ha[d] also found decreased breastfeeding initiation and duration rates associated with the distribution of free commercial formula, especially among first-time, less educated and ill mothers." *Id*.

hospitals, as compared to women who received non-commercial packs or no packs at all."[194] Apparently, the WIC, a major purchaser of infant formula in the United States,[195] had indirectly and inadvertently encouraged the promotion of formula milk products at participating U.S. healthcare facilities without clear policies addressing formula product company use of the "WIC" word mark and logo.[196] The GAO also conceded that its study "[could] not assess the impact of other types of formula marketing on breastfeeding rates *because [it] found no rigorous studies of mass media advertisements, direct mail coupons, marketing through health care providers, or other advertising activities*" (emphasis added).[197]

A 2011 follow-up USDA Economic Research Service ("ERS") study examining the spill-over effects of winning a WIC contract further reinforced how the government-administered WIC program had inadvertently helped to shape the local markets for such products. The USDA ERS study found that the winning sole-source WIC infant formula[198] contract bidder in each U.S. state "accounted for the vast majority – 84 percent – of all formula sold" in supermarkets in that State.[199] However, it also found that when "the holder of the WIC contract in a State switched from one manufacturer to another", it resulted in a 74 percent post-contract change increase in the market share of the new WIC contract brand, followed by an "almost complete[] offset [loss]" of market share of the prior WIC contract holder.[200] These results confirm that consumer brand loyalty for such products was fleeting – i.e., it persisted for only as long as the WIC contract and accompanying rebate pricing program and imprimatur of government endorsement remain in place.[201]

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194 "A majority of studies we reviewed that examine giving free formula samples to mothers at hospital discharge found lower breastfeeding rates among both WIC and non-WIC mothers." *Id*., at pp. 9, 31. "However, little is known about the impact of most types of marketing." *Id*., at p. 9.

195 "The US Department of Agriculture's (USDA) Special Supplemental Nutrition Program for Women, Infants, and Children (WIC) purchases over half of all infant formula consumed in the USA and provides it free to enrolled mothers, all of whom have incomes less than or equal to 185% of the Poverty Income Guidelines." *See* Deborah L. Kaplan and Kristina M. Graff, *Marketing Breastfeeding—Reversing Corporate Influence on Infant Feeding Practices*, *supra*. "To reduce the cost of infant formula to WIC, Federal law requires that WIC State agencies enter into cost-containment contracts with manufacturers of infant formula. Typically, WIC State agencies obtain substantial discounts in the form of rebates from infant formula manufacturers for each can of formula purchased through the program. In exchange for rebates, a manufacturer is given the exclusive right to provide its product to WIC participants in the State. These sole-source contracts are awarded on the basis of competitive bids. The brand of formula provided by WIC varies by State depending on which manufacturer holds the contract for that State." *See* Victor Oliveira, Elizabeth Frazão, and David Smallwoodat, *The Infant Formula Market Consequences of a Change in the WIC Contract Brand*, United States Department of Agriculture Economic Research Service, Economic Research Report No. 124 (Aug. 2011), at Executive Summary p. iii, available at: http://www.ers.usda.gov/media/121286/err124.pdf.

196 These policies were later clarified by the USDA's Food and Nutrition Service following a GAO briefing. *See* United States Government Accountability Office (GAO), *Breastfeeding: Some Strategies Used to Market Infant Formula May Discourage Breastfeeding; State Contracts Should Better Protect Against Misuse of WIC Name*, supra at p. 28. "Infant formula marketing targets non-WIC mothers and also reaches WIC mothers. Some of these marketing efforts use the trademarked WIC acronym in promotional materials. Although FNS requires states to restrict this practice in their WIC contracts, most states do not." *Id*., at p. 2.

197 *Id*., at p. 33.

198 "[T]his study focused solely on milk-based powder and liquid concentrate." *See* Victor Oliveira, Elizabeth Frazão, and David Smallwoodat, *The Infant Formula Market Consequences of a Change in the WIC Contract Brand*, supra at p. 27.

199 *Id.,* at Executive Summary, p iii; p. 16.

200 *Id*., at Executive Summary, p. iii; pp. 20 and 31.

201 "Former WIC recipients may demonstrate brand loyalty by buying the same WIC-provided brand they used with one infant when they have subsequent babies after leaving the WIC program." *Id*., at p. 18.

Other studies performed in the United States have examined the effect of various forms of infant formula product promotion beyond hospital discharge-packs, including direct-to-physician and direct-to-consumer advertising ("DCTA"),[202] on product market share. However, these studies, as well, have shown that such marketing activities alone "*do not ensure absolute brand loyalty*" (emphasis added).[203]

Still, other studies have more generally shown that factors such as pricing, particularly among indifferent consumers,[204] or in challenging economic environments,[205] largely influence product purchasing decisions. For example, a 2011 Comscore study found that consumer loyalty towards premium branded products in multiple categories had significantly diminished in favor of lower priced brands following the 2008 recession.[206]

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202 *See* Linda C. Fentiman, *Marketing Mothers' Milk: The Commodification of Breastfeeding and the New Markets in Human Milk and Infant Formula*, Pace Law Faculty Publications Paper 556 (2009), available at: http://digitalcommons.pace.edu/cgi/viewcontent.cgi?article=1564&context=lawfaculty. It is well recognized in the United States that infant formula products are marketed via provision of "free formula samples and discount coupons to pregnant women and new mothers in hospital 'discharge packs,'" "outreach to health care professionals, exclusive contracts with hospital nurseries, direct-to-consumer [parent] ("DTC") advertising", "informational material distributed at doctors' offices…and via direct mail". *Id*., at pp. 52-55.

203 *Id*., at p. 55.

204 "In many homogenous product markets, advertising only serves to redistribute consumers among the sellers. Many advertising campaigns have rather an emotional content and try to attract consumers by associating the product with attitudes or feelings that have no relevant relationship to the product or its consumption…The present analysis suggests that high advertisers tend to have higher prices. Often, blind tests show that consumers perceive highly advertised brands as different. The model also predicts the existence of a group of heavy advertisers and of a low advertiser. This is consistent with the empirical evidence that markets with significant advertising have a two-tier structure. Several extensions to this work are worth mentioning. *A major limitation of the present model is the extreme post-advertising heterogeneity of consumers: loyal consumers are extremely responsive to advertising, while the indifferent ones continue to be extremely price sensitive*. One may consider a smoother distribution of advertising-induced switching costs. Moreover, indifferent consumers are assumed to be aware about the existence of all products. *Perhaps it is more realistic to assume that the indifferent consumers know only the prices of some sellers* (emphasis added)." *See, e.g.,* Ioana Chioveanu, *Advertising, Brand Loyalty and Pricing* (2007) at pp. 11-12, available at: http://else.econ.ucl.ac.uk/papers/uploaded/323.pdf.

205 "[S]ince the recession took hold, we've unsurprisingly become more price-conscious than ever. Now nearly 20% of us have made the move to less expensive brands. *And customer loyalty is falling by the wayside*…There are certain categories where this 'buy down' behavior is more common, according to a report titled "The Effects of the Recession on Brand Loyalty and Buy Down Behavior," published by ComScore in October. Interestingly enough, we're more likely to go generic on cold medicine than we are paper towels…*What can be measured though, is the effect this buying down has on brand loyalty. The short answer: it's on its way out*. Nearly 40% of consumers surveyed by Comscore say they buy different brands *if they are on sale*" (emphasis added). *See* Meghan Casserly, *Does Wanting More For Less Mean The End Of Brand Loyalty?*, Forbes (11/22/11), available at: http://www.forbes.com/sites/meghancasserly/2011/11/22/retail-more-for-less-the-end-of-brand-loyalty/. *See also* Steve Olenski, *Only One Quarter Of American Consumers Are Brand Loyal*, Forbes (3/26/12), available at: http://www.forbes.com/sites/marketshare/2012/03/26/only-one-quarter-of-american-consumers-are-brand-loyal/print/; Steve Olenski, *Is Brand Loyalty Dying A Slow And Painful Death?* Business-2-Community (Jan. 8, 2013), available at: http://www.business2community.com/branding/is-brand-loyalty-dying-a-slow-and-painful-death-0371742; Steve Olenski, *The Most Powerful Brand Ambassadors In The World May Not Be Brand Loyal*, Business-2-Community (Jan. 10, 2013), available at: http://www.business2community.com/branding/the-most-powerful-brand-ambassadors-in-the-world-may-not-be-brand-loyal-0373789; WSL/Strategic Retail, *How America Shops 2012: Moving On*, available at: http://www.wslstrategicretail.com/wwd-article.php?articleid=1; "'Value' is the beginning and the end of the shopper conversion - it is universal and transcends gender, age and income." *Id*.

206 *See* Comscore, *The Effects of the Recession on Brand Loyalty and "Buy Down" Behavior: 2011 Update* (Oct. 2011), available at: http://www.comscore.com/layout/set/popup/Request/Presentations/2011/The_Effects_of_the_Recession_on_Brand_Loyalty_and_Buy_Down_Behavior_2011_Update. "Overall, it is OTC Cough, Cold and Allergy products that show the largest decline since 2008 in the number of consumers buying the brand they want most. *It is likely that the relatively high price of these categories is the key reason why the decline has been so severe*…The results of this study illustrate the danger facing premium

A more recent 2012 Ernst & Young study found that consumer purchasing behavior has changed dramatically throughout the developed ("western") world in recent years. It reported that "only around one in four consumers say that a product's brand influences their purchasing decisions: just 24% of Western Europeans and 25% of Americans say they are swayed by reputation."[207] "In the developed world at least - the star attraction of *brand loyalty is fading*. As today's chameleon consumers refuse to be filed in neat segments, so *they are becoming less loyal to particular brands*. They are informing - and making - their own choices" (emphasis added).[208] The study noted, furthermore, that this phenomenon contrasts with what is currently transpiring in the developing world. "Globally, 28% of consumers rate brand as a purchasing driver, compared with 40% of Chinese, 34% of Brazilians and 32% of Indians", with food and beverages enjoying the second greatest level of loyalty after telecoms (bearing a global rating of 6.6 out of 10).[209]

Significantly, however, the Ernst & Young study's authors admonished companies not to become overly enthusiastic about developing country market prospects because "deep down, consumers are actually all the same - just at different stages of their retail evolution."[210] Consequently, "[i]f the developing markets go the way of the West, *brand loyalty could become a thing of the past. When brand loyalty goes, many products and services will just be differentiated on price*…[A]cross all geographies and incomes, the survey shows that *price is still the main consideration when it comes to buying anything*" (emphasis added).[211] According to the study, 89% of all consumers rate price as "the most important factor…[w]hen it comes to making a purchase decision," followed by 82% of all consumers rating product quality as important to such decision.[212]

The Ernst & Young study concludes that only those companies "that create a positive consumer experience around their brands, during the entire length of their *relationship with consumer*s…are most likely to succeed" (emphasis added).[213] This means that the consumer brand relationships of the past which were "often circumstantial and relatively unimportant,"[214] must now be developed into more enduring relationships of "brand trust". This requires the establishment of "corporate identity strategies, personal communication, and merchandising. Demonstrating competence, credibility and benevolence as important dimensions of trust should result in a more personal

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brands due to the effects of a recession. As a result of the adverse economic conditions, these brands are likely to see a significant slide in market share as consumers buy down to save money. Beyond loss of short-term sales, premium brands are at risk of losing preference as consumers try other, less expensive brands" (emphasis added). *Id*., at pp. 4 and 11.

207 *See* Ernst & Young, *This Time It's Personal: From Consumer To Co-creator* (March 2012) at p. 8, available at: http://www.ey.com/Publication/vwLUAssets/This_time_it_is_personal_-_from_consumer_to_co-creator_2012/$File/Consumer%20barometer_V9a.pdf.

208 *Id*.

209 "The correlation of new wealth and established brands arguably reflects the kudos of association: the freshly prosperous don't just want to be affluent, they want to be *seen* to be affluent" (emphasis in original). *Id*.

210 *Id*., at p. 9.

211 *Id*.

212 *Id*., at p. 6. *See also* Mark J. Miller, *Ernst & Young Sees US Brand Loyalty Disappearing*, Brandchannel (March 30, 2012), available at: http://www.brandchannel.com/home/post/2012/03/30/EY-Report-Brand-Loyalty-US-033012.aspx.

213 *See* Ernst & Young, *This Time It's Personal: From Consumer To Co-creator*, supra at p. 9.

214 *See* Kurt Matzler, Sonja Grabner-Kräuter, and Sonja Bidmon, *The Value – Brand Trust – Brand Loyalty Chain: An Analysis of Some Moderating Variables*, Innovative Marketing, Vol. 2, Issue 2 (2006), at p. 85, available at: http://www.researchgate.net/publication/228109403_The_value-brand_trust-brand_loyalty_chain_An_analysis_of_some_moderating_variables/file/d912f50bc60cc1cdf8.pdf.

attachment and commitment of customers."[215] Therefore, in the current international environment where brand loyalty is transitory and *price* remains among the most important, if not *principal* purchasing consideration, the Draft HK Code's encumbrance of the use of point-of-purchase-related infant formula trademarks, logos and symbols is not likely to contribute very much to reducing brand loyalty, and thus, to protecting breastfeeding and/or to preventing deceptive marketing practices.

Indeed, company reputation and its impact on brand trust are more likely to be shaped by company adherence to the rule of law, especially food safety and advertising laws of the type currently enforced in Hong Kong, Australia and New Zealand.[216] Similarly, company reputation, and its impact on brand trust is more likely to be shaped by private third-party and governmental voluntary code compliance oversight mechanisms, such as the "naming and shaming" public reporting initiatives currently employed in Australia and New Zealand,[217] than by such trademark-use encumbrances. As previously discussed in Parts 1 and 2 of this article, the Draft HK Code also proceeds in this direction. Where a "substantiated" complaint alleging Draft HK Code noncompliance has been lodged, Draft HK Code Annex I.12 grants the Advisory Panel (largely staffed with GHK-SAR officials and appointees) the legal authority to refer suspected violators of extant food safety and/or advertising and labeling laws to the relevant GHK-SAR government departments for investigation *and follow-up administrative and/or legal action*.[218]

Regulation 5 of the *Food and Drugs (Composition and Labelling) Regulations (Cap. 132W)*, which is one such local source of law,[219] treats food labeling and advertising violations, whether or not intentional, as a level 5 criminal offense punishable by a monetary fine of $50,000 and a mandatory 6-month prison term.[220] Similarly, Sections 61(1) and (2) of the *Public Health and Municipal Services Ordinance*, which is another such source of local law,[221] treat false labeling or advertisements of foods, whether or not intentional, as "an offence"[222] punishable by imposition of a level 5 ($50,000)

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215 *Id*.

216 See Part 2 of this article, Sections 6.d.ii.A-B.

217 *Id.*

218 Draft HK Code Annex I, pars. 12, 14.

219 Draft HK Code Annex I, par. 14(i).

220 "Any person who advertises for sale, sells or manufactures for sale any food or drug which does not conform to the relevant *requirements as to composition* prescribed in Schedule 1 or which is *not marked and labelled in the manner prescribed* in Schedule 2 commits an offence and is liable to a fine at level 5 and to imprisonment for 6 months" (emphasis added). See *Cap 132W – Food and Drugs (Composition and Labelling) Regulations* (2010), at Regulation 5(1), 5(1)(AA), 5(1)(AB) - Offences and Penalties, available at: http://www.legislation.gov.hk/blis_ind.nsf/CURALLENGDOC/58C03C497F20A0364825775200227905?OpenDocument. "Any person who advertises for sale, sells or manufactures for sale any prepackaged food which (a) is not marked or labelled in compliance with regulation 4A(1) or 4B(1); or (b) has on its label any nutrition claim that does not conform to regulation 4B(5), *commits an offence and is liable to a fine at level 5 and to imprisonment for 6 months*" (emphasis added). *Id*., at Regulation 5(1)(AA). "If - (a) any person advertises for sale any prepackaged food; and (b) the advertisement contains any nutrition claim that does not conform to regulation 4B(5), the person *commits an offence and is liable to a fine at level 5 and to imprisonment for 6 months*" (emphasis added). *Id*., at Regulation 5(1)(AB). A 'level 5' penalty is equal to $50,000. *See* Chap. 221 – Criminal Procedure Ordinance, Schedule 8 – Level of Fines for Offence, available at: http://www.legislation.gov.hk/blis_ind.nsf/CURALLENGDOC/CF2DC70EAB6C97C7C82564830029D317?OpenDocument.

221 Draft HK Code Annex I, par. 14(ii).

222 See *Cap 132 - Public Health and Municipal Services Ordinance* (2013), at Section 61(1)-(2) - False Labelling and Advertisement of Food or Drugs, available at: http://www.legislation.gov.hk/blis_pdf.nsf/6799165D2FEE3FA94825755E0033E532/40DC34E06542CFE1482575EE003FE971/$FILE/CAP_132_e_b5.pdf. "If any person gives with any food or drug sold by him, or displays with any food or drug exposed for

fine and 6 months imprisonment.[223] Brand trust will certainly not be reinforced if a manufacturer or distributor of formula milk and infant and young children's food products or their officials is found guilty of violating such truth-in-advertising laws.

Therefore, the abovementioned studies highlighting the principal role played by product price, safety and reliability in establishing brand trust as the foundation of a positive formula milk and complementary food brand relationship with consumers, and the current availability of legal sanctions in Hong Kong to address violations of Hong Kong food advertising and labeling regulations, together strongly suggest that the proposed Draft HK Code imposition of special requirements that encumber the use of company trademarks is unnecessary and will contribute little, if anything, to the achievement of the GHK-SAR's policy objectives – i.e., the promotion of breastfeeding and the prevention of deceptive promotion/marketing - in Hong Kong.

ii. The Draft HK Code's Special Requirements Are More Trademark-Encumbering and Trade-Restrictive than Necessary to Fulfill the Draft HK Code's Legitimate Objectives

Assuming, arguendo, that these various Draft HK Code special requirements (Draft HK Code Articles 4.2.1(b), 4.3.1(a), 4.4.1(d), 5.1, 7.3.2(d) and 8.2.1(a)) encumbering the use of formula milk and complementary food product and formula milk-related non-food product word marks and non-word marks could possibly contribute to the achievement of the GHK-SAR's policy objectives, they are nevertheless more trademark-encumbering and trade-restrictive than necessary to achieve them, considering the risks their nonfulfillment would create.

A. The Draft HK Code's Special Requirements More Greatly Encumber Covered Product Word Marks and Non-word Marks Than Does the WHO Code

WHO Code Articles 4.3 and 6.8 permit manufacturers to include their company names and logos on informational/educational materials donated to the public or to healthcare facilities, but suggests that such materials "should not refer to any proprietary product within the scope of this Code."[224] A "proprietary product" is defined as a "product sold under a brand name owned by a company".[225] There is no evidence to suggest that the WHO Code recommends that WHO Members prohibit

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sale by him, a label, whether or not the same is attached to or printed on the wrapper or container, which- (a) falsely describes the food or drug; or (b) *is calculated to mislead* as to its nature, substance or quality, *he shall be guilty of an offence*, unless he proves that he did not know, and could not with reasonable diligence have ascertained, that the label was of such a character as aforesaid" (emphasis added). *Id*., at Sec. 61(1). "[I]f any person publishes, or is partly to the publication of, an advertisement, other than a label to which the provisions of subsection (1) apply which- (a) falsely describes any food or drug; or (b) *is likely to mislead* as to the nature, substance or quality of any food or drug, *he shall be guilty of an offence*, and, in any proceedings against the manufacturer, producer or importer of the food or drug, it shall rest on the defendant to prove that he did not publish, and was not a party to the publication of, the advertisement" (emphasis added). *Id*., at Sec. 61(2). *See also* Chap. 221 – Criminal Procedure Ordinance, Schedule 8 – Level of Fines for Offence, *supra*.

223 See *Cap 132 - Public Health and Municipal Services Ordinance* (2013), supra at Section 150 and Schedule 9. "Any person who is guilty of an offence under any of the provisions of this Ordinance specified in the first column of the Ninth Schedule shall be liable on summary conviction to the penalty specified in relation thereto in the second column of that Schedule." *Id*., Sec. 150. A violation of "61(1) or (2)…[will be subject to a penalty of]…level 5 and 6 months imprisonment". *Id*., at Schedule 9. *See also* Chap. 221 – Criminal Procedure Ordinance, Schedule 8 – Level of Fines for Offence, supra (A 'level 5' penalty is equal to $50,000.).

224 WHO Code, Articles 4.3 and 6.8.

225 See *Proprietary Product*, Financial Times Lexicon, available at: http://lexicon.ft.com/Term?term=proprietary-product.

references on such materials to any more than a branded covered product's *name*. This means, in effect, that covered branded product-related *non-word marks (logos and symbols)* may be used on such materials where such images do not otherwise "idealize the use of breast-milk substitutes" in contravention of WHO Article 4.2.

The WHO Code "applies to the marketing, and practices related thereto, of the following [food] products: breast-milk substitutes, including infant formula; other milk products, foods and beverages, including bottlefed complementary foods, *when marketed or otherwise represented to be suitable,* with or without modification, for use as *a partial or total replacement of breast milk*" (emphasis added).[226] WHO Code Annex 3 indicates that any product marketed to replace breastmilk *during the first 4-6 months of life* will be treated as a breastmilk *substitute* falling within the scope of the Code, and that any liquid or solid food product intended for infants and given *after this initial 4-6 month period* will not be treated as a breastmilk replacement/substitute falling within the scope of the Code, but rather as a breastmilk *supplement*.[227]

The WHO *Global Strategy for Infant and Young Child Feeding* ("WHO Feeding Strategy") endorsed via WHA Resolution 55/25[228]supports and clarifies this interpretation of the WHO Code by recommending that "infants should be exclusively breastfed *for the first six months of life* to achieve optimal growth, development and health" (emphasis added).[229] The WHO Feeding Strategy also calls for *partial* breastfeeding "for up to two years of age or beyond", *together with* "nutritionally adequate and safe *complimentary foods*[,] to meet [infants] evolving nutritional requirements" (emphasis added).[230] The WHO has also made it patently clear that "appropriate complementary

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226 WHO Code Art. 2.

227 "During the first four to six months of life, breast milk alone is usually adequate to sustain the normal infant's nutritional requirements. Breast milk may be replaced (substituted for) during this period by bona fide breast-milk substitutes, including infant formula. Any other food, such as cow's milk, fruit juices, cereals, vegetables, or any other fluid, solid or semisolid food intended for infants and given after this initial period, can no longer be considered as a replacement for breast milk (or as its bona fide substitute). Such foods only complement breast milk or breast-milk substitutes, and are thus referred to in the draft code as complementary foods. They are also commonly called weaning foods or breast-milk supplements. Products other than bona fide breast-milk substitutes, including infant formula, are covered by the code only when they are 'marketed or otherwise represented to be suitable…for use as a partial or total replacement of breastmilk'. Thus the code's references to products used as partial or total replacements for breast milk are not intended to apply to complementary foods unless these foods are actually marketed - as breast-milk substitutes, including infant formula, are marketed - as being suitable for the partial or total replacement of breast milk. So long as the manufacturers and distributors of the products do not promote them as being suitable for use as partial or total replacements for breast milk, the code's provisions concerning limitations on advertising and other promotional activities do not apply to these products" (italicized emphasis in original) WHO Code, Annex 3, at p. 23.

228 *See* World Health Organization, 55th World Health Assembly, *Infant and Young Child Nutrition*, Resolution WHA55.25 (May 18, 2002), at par. 1, available at: http://www.who.int/nutrition/topics/WHA55.25_iycn_en.pdf.

229 *See* World Health Organization, *Global Strategy for Infant and Young Child Feeding* (2003) at par. 10, p. 8, available at: http://whqlibdoc.who.int/publications/2003/9241562218.pdf, citing World Health Organization, *Global Strategy for Infant and Young Child Feeding: The Optimal Duration of Exclusive Breastfeeding*, EXPERT CONSULTATION ON THE OPTIMAL DURATION OF EXCLUSIVE BREASTFEEDING, A54/INF.DOC./4 (May 1, 2001), at par. 11, p. 3, available at: http://apps.who.int/gb/archive/pdf_files/WHA54/ea54id4.pdf ("The expert consultation recommends exclusive breastfeeding for six months, with introduction of complementary foods and continued breastfeeding thereafter."). *Id*. *See also* World Health Assembly, *Infant and Young Child Nutrition Global Strategy on Infant and Young Child Feeding, Report by the Secretariat, Annex Draft Global Strategy for Infant and Young Child Feeding* at par. 10, p. 5, A55/15 (April 16, 2002) available at: http://apps.who.int/gb/archive/pdf_files/WHA55/ea5515.pdf; WHA Resolution 57.17 - *Global Strategy on Diet, Physical Activity and Health* (May 22, 2004) at pars. 11, 28-29, available at: http://apps.who.int/gb/ebwha/pdf_files/WHA57/A57_R17-en.pdf.

230 *Id*.; *Global Strategy for Infant and Young Child Feeding* (2003) at par. 10, p. 8. *See also* World Health Organization, *Global Strategy on Diet, Physical Activity and Health* (2004), at par. 11, p. 3, available at:

feedings should start *from the age of six months* with continued [partial] breast feeding up to two years or beyond" (emphasis added). [231]

In light of the WHO Feeding Strategy and other related WHO documents, the WHO Code is best understood as applying to infant formula, follow-up formula and complementary food products marketed, represented or intended to *replace/substitute* breastfeeding as an exclusive food source during the first 6 months of life. In addition, the WHO Code is also best understood as applying to follow-up formula and other liquid and solid food (e.g., complementary food) products marketed, represented or intended to *displace/substitute* breastfeeding as a partial food source after the first six months of life, and potentially up to two years of age or beyond, depending on the needs of the child and the preference of the mother. Thus, WHO Code Articles 4.3 and 6.8 are best understood as *not* covering liquid and solid infant and young children's food products including follow-up formula and complementary foods that are marketed, represented or intended to *supplement* partial breastfeeding for infants older than 6 months of age. Consequently, such WHO Code provisions do *not* call for the encumbrance of the use of such products' word and non-word marks, recent activist efforts notwithstanding. [232]

By comparison, the Draft HK Code's product scope is much broader. The Draft HK Code covers infant formula, follow-up formula and infant and young children's food products marketed, represented or intended as breastmilk substitutes *or* supplements for infants and young children *up to 36 months of age*. Therefore, the special requirements the Draft HK Code imposes on the use of word marks and non-word marks in product information and informational/educational materials, on product containers and labels and in product-related advertising will be significantly more trademark-encumbering and trade-restrictive than those imposed by the WHO Code.

B. The WHO Code-Implementing Frameworks of Australia and New Zealand Present Reasonably Available Less Trademark-Encumbering and Trade-Restrictive Alternatives to the Draft HK Code

The WHO Code-implementing frameworks of Australia and New Zealand present two reasonably available less trade-restrictive alternatives to the Draft HK Code that are capable of achieving the GHK-SAR's legitimate policy objectives of protecting breastfeeding and preventing deceptive formula milk product marketing practices.

As previously discussed in Part 2 of this article, [233] the Government of Australia implements the WHO Code primarily through the *Marketing in Australia of Infant Formulas: Manufacturers and Importers Agreement* ("MAIF Agreement"). [234] The MAIF Agreement is a voluntary self-regulatory

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http://www.who.int/dietphysicalactivity/strategy/eb11344/strategy_english_web.pdf ("Exclusive breastfeeding for six months and appropriate complementary feeding contribute to optimal physical growth and mental development."). *Id*.

231 *See* World Health Organization, *Complementary Feeding, Report of the Global Consultation* (2002), at p. 1, available at: available at: http://www.who.int/nutrition/publications/Complementary_Feeding.pdf; World Health Organization, *Guiding Principles for Complementary Feeding of the Breastfed Child* (2003), at pp. 11 and 18, available at: http://whqlibdoc.who.int/paho/2003/a85622.pdf; World Health Organization, *Guiding Principles for Feeding Non-Breastfed Children 6-24 Months of Age* (2005), at pp. 7 and 9, available at: http://whqlibdoc.who.int/publications/2005/9241593431.pdf.

232 *See* Part 2 of this article, Sec. II..6.d.i.A.

233 *Id., at* Sec. II.6.d.ii.A.

234 *See* Australian Government Department of Health and Ageing, *Marketing in Australia of Infant Formulas: Manufacturers and Importers Agreement* ("MAIF Agreement") (1992), available at:

code of conduct between the manufacturers and importers of infant formula in Australia, intended as a response to and implementation of the WHO Code. It applies to Australian manufacturers and importers of infant formula who are signatories to said Agreement.[235] Although the MAIF Agreement's Preamble states that it "sets out the obligations of manufacturers in and importers to Australia of infant formulas", it, like the Draft HK Code, actually applies more broadly to promoters, distributors, salespersons, advertisers, public relations personnel, and information service providers that market infant formula products.[236] In addition to the MAIF Agreement, Australia employs other separate measures to implement the WHO Code. One such measure is the *Infant Feeding Guidelines for Health Workers*.[237] Another such measure is Standard 2.9.1 of the *Australia New Zealand Food Standards Code* which contains mandatory labeling and composition provisions for infant formula.[238] Standard 2.9.1, addresses food safety-related matters that are beyond the scope of this TRIPS Agreement inquiry.

MAIF Agreement Clause 4(c), which tracks WHO Code Article 4.3, specifies that, while manufacturer and distributor-donated informational materials "intended to reach pregnant women and parents of infants and young children…may bear the donating company's name or logo", they "should not refer to a proprietary infant formula" product.[239] Similarly, MAIF Agreement Clause 6(g), which tracks WHO Code Article 6.8, specifies that "[informational] materials, in addition to those referred to in clause 4(c), donated to a health care system may bear a company's name or logo, but should not refer to any proprietary infant formulas."[240] MAIF Agreement guidelines effectively interpret this general *brand name*-use encumbrance under Clause 4(c) as subject to a narrow exception. This exception appears to be limited only to the dissemination of specific infant formula preparation instructions, which "may include the brand logo and *should include the product name*" (emphasis added),[241] provided such images do not otherwise "idealize the use of breast-milk substitutes" in

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http://www.health.gov.au/internet/main/publishing.nsf/Content/7DB73D6678B4EEEACA256F190003F748/$File/maif-agreement.pdf.

235 *See* Australian Government Department of Health and Ageing, Advisory Panel on the Marketing in Australia of Infant Formula (APMAIF), *Marketing in Australia of Infant Formulas: Manufacturers and Importers Agreement - The MAIF Agreement* , available at: http://www.health.gov.au/internet/main/publishing.nsf/Content/health-pubhlth-publicat-document-brfeed-maif_agreement.htm.

236 See *MAIF Agreement*, Cl. 3.

237 *See* Australian Government, National Health and Medical Research Council, *Eat for Health Infant Feeding Guidelines: Information for Health Workers* (2012), available at: http://www.nhmrc.gov.au/_files_nhmrc/publications/attachments/n56_infant_feeding_guidelines.pdf; Australian Government, National Health and Medical Research Council, Infant Feeding Guidelines: Information for Health Workers (2012), available at: http://www.nhmrc.gov.au/guidelines/publications/n56.

238 *See* Australian Government ComLaw, *Australia New Zealand Food Standards Code - Standard 2.9.1 - Infant Formula Products* - F2013C00302 (2000), as amended, available at: http://www.comlaw.gov.au/Details/F2013C00302. "This Standard provides for the compositional, and labelling requirements for foods intended or represented for use *as a substitute* for breast milk, herein referred to as 'infant formula products'" (emphasis added). *Id*., at Purpose. It defines "infant formula product" to include "infant formula" and "follow-on formula". "[I]nfant formula means an infant formula product represented as a *breast milk substitute* for infants and which satisfies the nutritional requirements of infants aged up to four to six months…[F]ollow-on formula means an infant formula product represented as either a *breast-milk substitute or replacement for infant formula* and which constitutes the principal liquid source of nourishment in a progressively diversified diet for infants aged from six months." *Id*., Cl. 1(2). The Standard does NOT cover follow-on formula intended as a breastmilk or infant formula *supplement*.

239 MAIF Agreement, Clause 4(c).

240 MAIF Agreement, Clause 6(g).

241 *See* Australian Government, Department of Health and Ageing, *Guidelines on the Interpretation and Application of the MAIF Agreement by the Advisory Panel on the Marketing in Australia of Infant Formula (APMAIF)*, at p. 2, available at: http://health.gov.au/internet/main/publishing.nsf/Content/guide-maif-agreement;

contravention of MAIF Agreement Clause 4(b).[242] The MAIF Agreement also imposes encumbrances on the use of proprietary (brand) names with respect to donated promotional articles and items.[243]

Furthermore, as previously discussed in Part 2 of this article,[244] the Government of New Zealand implements the WHO Code through three voluntary and self-regulatory Codes and a fourth legislated food standards regulation. The voluntary Codes include: 1) the *Code of Practice for Health Workers (Health Workers' Code)*;[245] 2) the *New Zealand Infant Formula Marketers' Association (Infant Nutrition Council) Code of Practice for the Marketing of Infant Formula (the NZIFMA (INC) Code of Practice)*;[246] and 3) the *Advertising Standards Authority Code for Advertising of Food ("ASA Code")*.[247] The legislated food standards regulation is Standard 2.9.1 of the *Australia New Zealand Food Standards Code (Food Standards Code) (Standard 2.9.1)* established under the Food Standards Australia New Zealand Act 1991,[248] which deals mostly with food safety-related matters.

Article 9.3 of New Zealand's Health Worker's Code, which "recommends best practice for health workers",[249] provides that all manufacturer or distributor-prepared "infant formula information and educational material, whether written, audio or visual…may bear the donating company's name or logo, but should not refer to the product brand *name*" (emphasis added).[250] However, product information brochures for health practitioners and advertisements in medical publications do not appear to be subject to this restriction.[251] Similarly, Article 6.7 of New Zealand's INC Code of Practice provides that informational/educational materials donated to the healthcare system "may only bear the donating company's name or logo, but should not refer to a proprietary product that

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http://www.health.gov.au/internet/main/publishing.nsf/Content/B32FB3177861153FCA256F190003F796/$File/APMAIF%20Interpretations.pdf. "Such materials should be limited to preparation instructions only and should not include other educational or promotional information (March 1994)." *Id*.

242 MAIF Agreement Clause 4(b) otherwise precludes "materials contain[ing] information about the use of infant formulas…[from using] any pictures or text [presumably, including logos and symbols] which may idealise the use of infant formulas." MAIF Agreement Cl. 4(b).

243 "Articles (such as pens and monogrammed paper) which bear a brand name and not just a logo should not be distributed at conferences (March 1994)." *Id*., at p. 3. In addition, "[i]nexpensive materials likely to be used only in the process of professional duty (provided they are not readily given to mothers, for example small 'tear off' note pads)…should bear only the company name and logo, and not a product brand name or a slogan (March 1994)." *Id*.

244 *See* Part 3 of this article, Sec. II.6.d.ii.B.

245 *See* Government of New Zealand, Ministry of Health, *Code of Practice for Health Workers*, available at: http://www.health.govt.nz/our-work/who-code-nz/code-practice-health-workers.

246 *See* Infant Nutrition Council, *The Infant Nutrition Council Code of Practice for the Marketing of Infant Formula in New Zealand* (Nov. 2012), available at: http://www.infantnutritioncouncil.com/wp-content/uploads/2013/05/48511-INC-A5-booklet_FA-web.pdf; Infant Feeding Association of New Zealand, *The Code*, available at: http://www.ifanz.org.nz/The-code.aspx.

247 *See* Advertising Standards Authority New Zealand, *Code for Advertising of Food*, available at: http://www.asa.co.nz/code_food.php.

248 *See* Government of New Zealand, Ministry of Primary Industries, *Food Standards Australia New Zealand (FSANZ)*, available at: http://www.foodsafety.govt.nz/policy-law/food-regulation/australia-nz-cooperation/FSANZ/.

249 *See* Government of New Zealand, Ministry of Health, *Implementing and Monitoring the International Code of Marketing of Breast-milk Substitutes in New Zealand: The Code in New Zealand* (2007) at p. 13, available at: http://www.health.govt.nz/system/files/documents/publications/breast-milk-substitutes-marketing-code.pdf.

250 Health Worker's Code, Article 9.3 reads as follows: "All infant formula information and educational material prepared by manufacturers and distributors, whether written, audio or visual, must be consistent with the NZIFMA Code of Practice. Such materials may bear the donating company's name or logo, but should not refer to the product brand name, *with the exception of product information brochures for health practitioners and advertisements in medical publications*, and should be distributed only through (ie, within) the health care system" (emphasis added). Health Worker's Code, Art. 9.3.

251 *Id*.

is within the scope of this Code."[252] As a matter of consistency, it is likely the case that covered branded product-related *non-word marks (logos and symbols)* may be used on such materials where such images do not otherwise "idealize the use of breast-milk substitutes" in contravention of INC Code Article 4.3.[253]

Moreover, as previously discussed in Part 2 of this article,[254] the product scope of the Australia and New Zealand WHO Code-implementing frameworks collectively is limited to infant formula and follow-up formula marketed, represented or intended as breastmilk *substitutes* for use by infants up to the age of 12 months.[255] The MAIF Agreement covers "[i]nfant formula…that is suitable for babies from birth" as well as "[f]ollow-on formula…that is suitable for babies from six to twelve months."[256] However, it does not apply to "[t]oddler milk drinks suitable from 12 months (sometimes called Growing Up milks), [c]omplementary foods (i.e. baby cereal and packaged baby foods) [or] [f]eeding bottles and teats."[257] The New Zealand Health Worker's Code covers "all types of formula for infants 0-12 months," including follow-on formula, because it may be used as a breast milk substitute (replacement) until 12 months of age.[258] In addition, the Standard 2.9.1 of the Australia-New Zealand Food Standards Code covers both infant formula and follow-on formula, for food safety-related purposes, without regard to how they are marketed.[259] The INC Code of Practice, however, does not currently cover follow-on formula because "[f]ollow-on formula is not marketed as a breast milk substitute in New Zealand."[260]

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252 INC Code of Practice, Art. 6.7.

253 INC Code of Practice Article 4.3 reads, in pertinent part, as follows: When information and educational materials contain information about the use of infant formula…[s]uch materials should not use any pictures or text, which may idealise the use of infant formula in comparison to breastfeeding." INC Code Art. 4.3.

254 *See* Part 3 of this article, Sec. II.6.d.ii.A.

255 For example, the Australian framework covers infant formulas marketed or represented as suitable for use as a partial or total replacement of breast milk by older infants up to 12 months of age. MAIF Agreement Clauses 2-3. It therefore does not apply to infant formulas marketed, represented or intended for use as a supplement to breast milk. MAIF Agreement, Clause 3.

256 *See* Australian Government Department of Health and Ageing, *Annual Report of the Advisory Panel on the Marketing in Australia of Infant Formula (APMAIF) 2010-2011* (2011), at *Appendix D - The MAIF Agreement FAQ*, p. 36, available at: http://www.health.gov.au/internet/main/publishing.nsf/Content/8429754539FC9428CA25799D0019F576/$File/APMAIF_Annual%20ReportFINAL%20%5B20_12%5D.pdf.

257 *See* Australian Government Department of Health and Ageing, *Annual Report of the Advisory Panel on the Marketing in Australia of Infant Formula (APMAIF) 2011-2012* (2013), at pp. 1-2, available at: http://www.health.gov.au/internet/main/publishing.nsf/Content/63979A562D3850ABCA257B180002E3BF/$File/APMAIF%20AR%202011-12.pdf.

258 *See* Government of New Zealand, Ministry of Health, *Implementing and Monitoring the International Code of Marketing of Breast-milk Substitutes in New Zealand: The Code in New Zealand*, supra *at Code of Practice for Health Workers*, p. 14.

259 *See* Government of New Zealand, Ministry of Primary Industries, *Food Standards Australia New Zealand (FSANZ)*, available at: http://www.foodsafety.govt.nz/policy-law/food-regulation/australia-nz-cooperation/FSANZ/; Australian Government, ComLaw, *Australia New Zealand Food Standards Code - Standard 2.9.1 - Infant Formula Products - F2013C00302*, Clause 1(2), available at: http://www.comlaw.gov.au/Details/F2013C00302.

260 *Id*. The New Zealand framework covers infant formula that has been marketed and defined as a breast milk substitute/replacement suitable for infants up to 6-12 months of age. "This Code applies to the marketing in New Zealand of infant formula as suitable to provide the sole source of nourishment for an infant or replace part of a breastfeed." INC Code of Practice, Art. 2. The INC Code of Practice defines an infant as a "person under the age of 12 months", and "infant formula" as a product represented as a breast milk substitute for…infants aged from birth up to four to six months." INC Code of Practice, Art. 3. A breastmilk substitute is "[a]ny food marketed or otherwise represented as a partial or total replacement for breast milk, whether or not suitable for that purpose" (emphasis added). INC Code of Practice, Art. 3. Since follow-on formula for infants over six months of age is presumed marketed as a breastmilk supplement, it has been expressly excluded from coverage of the INC Code of Practice. INC Code of Practice, Art. 2.

The Government of New Zealand and the New Zealand formula product industry have recently expressed their interest in working towards greater clarification of the New Zealand framework's coverage of follow-on formula products. For example, during 2012, the New Zealand Ministries of Primary Industries ("PMI") and Health ("MOH") and the New Zealand Food & Grocery Council expressed their support for "amending the definitions of 'infant formula' and 'follow-on formula' for purposes of Standard 2.9.1 of the Australia-New Zealand Food Standards Code. The proposed amendments call for referring to "infant formula" as "an infant formula product represented as a breastmilk substitute for infants…up to six months of age", and to "follow-on formula" as "an infant formula product represented as either a breastmilk substitute or replacement for infant formula…for infants aged from six to 12 months of age."[261]

In a parallel stakeholder consultation, New Zealand formula products industry representatives and health professional and consumer representatives discussed the possibility of extending the coverage of the INC Code of Practice to include follow-on formula marketed, represented or intended as breastmilk *substitutes*.[262] While doubtful of the feasibility of "chang[ing] the INC Code to restrict the promotion of follow-on formula to infants up to 12 months without changes [also] being made to the Commerce Act" to prevent the possibility of a government determination of noncompetitive behavior, participating industry stakeholders[263] "agreed [that] if they were required to restrict the marketing of follow-on formula, they would comply. The group noted [, however, that] any restriction should be driven by evidence of a need for change" based on marketing companies' "bad behavior".[264]

Health and consumer representatives participating in such consultation, meanwhile, demanded that the Code either be converted into a mandatory regulation or that it be amended to ban the marketing of follow-on formula "to infants/children less than 12 months" of age.[265] It is more than coincidental that the presumption underlying the second of these two options resembles the language contained in two WHO documents,[266] one of which was recently released during World

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261 *See* Government of New Zealand, Ministry of Primary Industries, Correspondence to Project Officer, Regulation of Infant Formula Products, Food Standards Australia New Zealand, *Response to Consultation Paper – Regulation of Infant Formula Products in the Australia New Zealand Food Standards Code* (Nov. 6, 2012), at Question 5, p.3, available at: http://www.foodsafety.govt.nz/elibrary/industry/consultation-paper-infant-formula-australia-nz-fsc.pdf. "We are of the view that the above definitions add regulatory clarity around the intended age group for each product category…Note, it is our interpretation that the above definitions would allow for 'infant formula' to still be marketed up to an age of 12 months." *Id*. *See also* New Zealand Food & Grocery Council, *Comments on the Consultation Paper: Regulation of Infant Formula Products in the "Australia New Zealand Food Standards Code"* (Nov. 7, 2012) at Response to Question 4, p.3, available at: http://www.fgc.org.nz/upload/submissions/2012/Infant%20Formula%20Products%20Review%20FGC%20FINAL.pdf.

262 *See* Quigley and Watts Ltd, *Key Stakeholder Consultation to Complete the Evaluation of the Effectiveness of the WHO International Code of Marketing of Breast-Milk Substitutes in New Zealand*, Prepared for the Ministry of Health (Sept. 2012), at Sec. 4.1.1, pp. 8-9, available at: http://www.health.govt.nz/system/files/documents/pages/keystakeholde-consultation-evaluation-effectiveness-who-code-marketing-breast-milk-substitutes.pdf.

263 *Id*., at *Appendix 1: Consultation Participants*.

264 *Id*., at p. 8.

265 *See* Quigley and Watts Ltd, *Key Stakeholder Consultation to Complete the Evaluation of the Effectiveness of the WHO International Code of Marketing of Breast-Milk Substitutes in New Zealand*, Prepared for the Ministry of Health (Sept. 2012), at Sec. 4.1.1, p. 9, available at: http://www.health.govt.nz/system/files/documents/pages/keystakeholde-consultation-evaluation-effectiveness-who-code-marketing-breast-milk-substitutes.pdf.

266 A more thorough discussion of these two documents is contained in Part of this article at Sec. II.6.d.i.A.

Breastfeeding Week 2013.[267] This new document essentially reinterprets the WHO Code to preclude all marketing of follow-up formulas by *presuming* them to be breastmilk substitutes, if they could possibly be perceived as breastmilk substitutes.[268] The other WHO document, which was previously released during 2001,[269] encourages WHO Member governments to "take the position" (presume) that follow-up formula is a "*de facto* breast-milk substitute" in their national implementation of WHO Code requirements.[270]

In any event, a review of the Australia and New Zealand WHO Code-implementing frameworks reveals that, like the Draft HK Code, they collectively impose special requirements that encumber the use of covered product trademarks in an effort to promote breastfeeding and prevent deceptive formula milk product promotion/marketing practices. Since the Australia and New Zealand frameworks do so without being as trademark-encumbering or trade-restrictive as the Draft HK Code, they collectively constitute a reasonably available less trademark-encumbering, and thus, less trade-restrictive alternative to the Draft HK Code which is capable of fulfilling the GHK-SAR's (Draft HK Code's) public policy objectives at its chosen level of protection.

iii. Assessing the Risks that Non-Fulfillment of Draft HK Code Legitimate Objectives Would Create Due to the Adoption of a Combined Australia-New Zealand Framework

In determining "the risks that non-fulfillment would create", it is necessary to consider the likelihood and the gravity of potential risks (and any associated adverse consequences) that might arise in the event the Draft HK Code's legitimate objectives would not be fulfilled if a reasonably available less trade-restrictive alternative were adopted in its place.

Arguably, it is uncertain what potential risks and adverse consequences would arise if the GHK-SAR was unable to achieve its public policy objectives as the result of adopting a combined Australia-New Zealand WHO Code-implementing framework in lieu of the Draft HK Code. At present, there exist no real international benchmarks against which to measure the protection of breastfeeding or the prevention of deceptive formula milk promotion/marketing practices, particularly, with respect to national implementation of WHO Code Articles, 2, 3, 4, 5, 9 or 11 (corresponding Draft HK Code Articles 2, 3, 4, 5, 6, 8, 10 and Annex I). There is also no international benchmark against which to

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267 *See* World Health Organization, *Information Concerning the Use and Marketing of Follow-up Formula* (July 17, 2013), available at: http://www.who.int/nutrition/topics/WHO_brief_fufandcode_post_17July.pdf.

268 If follow-up formula is marketed or otherwise represented to be suitable, with or without modification, for use as a partial or total replacement for breast milk, it is covered by the Code. *In addition, where follow-up formula is otherwise represented in a manner which results in such product being perceived or used as a partial or total replacement for breast milk, such product also falls within the scope of the Code*" (emphasis added). *Id.,* at p. 3.

269 *See* World Health Organization, Nutrition for Health and Development, *Follow-up Formula in the Context of the International Code of Marketing of Breastmilk Substitutes* (June 2001), available at: http://www.who.int/nutrition/follow-up_formula_eng.pdf. "[W]hile follow-up formula may not be explicitly promoted as a breast-milk substitute, documented marketing strategies, such as packaging, branding and labelling may induce mothers to use follow-up formula in the first six months of life and/or to stop breastfeeding after this period." *Id*., at p. 1.

270 "In addition – and notwithstanding the statement in the Codex standard for follow-up formula that this product is not a breast-milk substitute – *the competent national authorities may wish to take the position that follow-up formula should be considered a de facto breast-milk substitute*. WHO recommends that infants be breastfed exclusively for the first 6 months of life and that, once complementary feeding has begun, breastfeeding should continue up to the age of two years or beyond. Seen in this context, it could be argued that breast milk is the most appropriate liquid part of a progressively diversified diet once complementary feeding has begun" (emphasis added) *Id*.

measure WHO Code-implementing trade-mark encumbering special requirements incorporated within those WHO Code and Draft HK Code articles. As the WHO's recently released updated WHO Code implementation report reveals, "further efforts are needed [to]: 1) [fill in the] gaps in existing national legislation; 2) [provide] clarity on processes necessary for the adaptation of the Code; 3) [overcome] difficulty in gaining regulatory approval of draft measures; 4) [address] weak implementation; 5) [improve] poor monitoring systems; and 5) [record] reported violations by the industry."[271]

In addition, the GHK-SAR has not presented any evidence demonstrating why it needs the trademark-encumbering special requirements and trade restrictions the Draft HK Code would impose. As discussed above, such requirements are arguably unnecessary because current Hong Kong law already provides for significant fines and penalties for violations of the local advertising and labeling ordinances which the Draft HK Code would extend to formula milk and complementary food products. And, consumer trust in formula milk brands and concerns about product safety, quality and nutrition (i.e., product security) rather than mere recognition of formula milk trademarks largely governs consumer behavior.

Furthermore, no substantiated evidence has been proffered to date by any party that demonstrates how the fewer special requirements the Australia and New Zealand WHO Code-implementing frameworks impose on formula milk product word marks and non-word marks used in informational/educational materials disseminated to the healthcare system are inadequate to fulfill the GHK-SAR's public policy objectives. This conclusion holds notwithstanding the dubious allegation contained in a recently released WHO document that formula milk manufacturers and distributors are employing an indirect marketing strategy that relies on product packaging, branding and labeling (including word marks and non-word marks) to confuse, and thus, induce mothers to

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271 *See* World Health Organization, *Country Implementation of the International Code of Marketing of Breast-milk Substitutes: Status Report 2011* (2013), at Executive Summary, p. vii, available at: http://apps.who.int/iris/bitstream/10665/85621/1/9789241505987_eng.pdf. For example, with respect to the issue of product scope/coverage per WHO Code Article 2, 125/199 countries "(63%) did not answer or did not clearly state the scope of the legal measure in terms of the age to which it applies." *Id*., at p. 7. The new WHO report reflects that the WHO did not even bother to gather data regarding national implementation of WHO Code Article 4 informational/educational materials prohibitions and restrictions. With respect to the issue of advertising prohibitions per WHO Code Article 5, only 80/199 countries "(40%) provided information on advertising products within the scope of the Code" and 119/199 "did not answer or did not clearly state whether there was a prohibition." *Id*., at p. 8. With respect to the issue of donated or low priced sales of breastmilk substitute products to healthcare facilities per WHO Code Article 6.6, the report reflects that "119/199 countries] (60%) did not answer or did not clearly state their stand on the prohibition of free or low-cost supplies of BMS", and 62 of the 79 countries that responded "completely prohibited free samples or low-cost supplies." *Id*., at p. 9. With respect to the issue of material and financial inducements and healthcare workers, per WHO Code Article 7.3, "64 countries (32%) reported completely prohibiting gifts to health workers" and 120/199 "countries did not answer or did not clearly state whether they prohibited materials or gifts to health workers and health facilities." *Id*. With respect to the issue of labeling per WHO Code Article 9.2(b), the report reflects the following: 1) 83/199 countries "(42%) reported requiring a message on the superiority of breastfeeding on BMS [breastmilk substitute] labels"; 2) "115[/199] did not answer or did not clearly state whether having a message on the superiority of breastfeeding on the label was required"; 3) "79[/199] countries (40%) reported that there should be a recommended age for the designated product on the label"; and 4) "116/199 did not answer or did not clearly state whether or not they require a recommended age on the label of BMS". *Id*., at p. 10. And, with respect to overall Code monitoring and enforcement per WHO Code Article 11, the WHO report reflects that "only 45 countries 199] (23%) reported having a functioning implementation and monitoring system", and 117/199 countries "did not answer or did not clearly state whether they had a functioning implementation and monitoring system." *Id*., at p. 11.

use follow-up formula as infant formula during the first 6 months of an infant's life" and thereafter.[272]

First of all, the promotion and advertisement of follow-up formula as a breastmilk *supplement* intended for infants from 6-12 months of age and older does not violate and is not covered by the WHO Code.[273] Second of all, the principal evidence supporting this WHO document's unsubstantiated allegation is hardly scientific and hinges on the highly questionable results of a 2008 prize-induced survey of Australian parents[274] asked to recall formula advertisements they believed they had seen during the prior year (2007). This survey did not consider the depth, duration and nature of the respondents' familiarity with the products, brands and companies identified, apart from such advertising. In other words, the survey's authors failed to ascertain the extent to which the respondents' recall of the products was attributable solely to particular product advertising and its apparent use of trademarks, or to the respondents' longer term familiarity with the products and brands which had developed from prior consumer purchase and use experiences and their overall perceptions of product safety and reliability that had coalesced over time into a general sense of brand trust.[275]

It is largely because of the need to maintain brand trust among mainland Chinese consumers that the formula milk industry in New Zealand has taken so seriously the need to ensure the product

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272 *See* World Health Organization, *Information Concerning the Use and Marketing of Follow-up Formula* (July 17, 2013), *supra* at p. 2.

273 *See* Part 2 of this article, Sec. II.6.d.1.A.

274 *See* Nina J Berry, Sandra Jones and Don Iverson, *It's All Formula to Me: Women's Understandings of Toddler Milk Ads*, 17(3) Breastfeeding Review (2010); Nina J Berry, Sandra Jones and Don Iverson, *Toddler Milk Advertising in Australia: The Infant Formula Ads We Have When We Don't Have Infant Formula Ads*, University of Wollongong Research Online (2010), available at: http://ro.uow.edu.au/cgi/viewcontent.cgi?article=1630&context=hbspapers; In P. Ballantine & J. Finsterwalder (Eds.), ANZMAC Annual Conference 2010: Australian and New Zealand Marketing Academy Conference 2010 – "Doing More with Less" (pp. 1-8), available at: http://anzmac2010.org/proceedings/papers.html#B; http://anzmac2010.org/proceedings/pdf/anzmac10Final00376.pdf.

275 The survey endeavored to establish, based on parents' memory of formula advertisements they recalled having seen the previous year (2007), that a public perception had been created that "toddler milk advertising promote[d] infant formula". *Id*., at Abstract. "Qualitative research suggests that Australian mothers do not draw a distinction between toddler milk and infant formula, referring to both products as 'formula' and when are shown toddler milk advertisements, they believe them to be advertising infant formula products." *Id*., at pp. 4-5. "This study investigated whether the perception that toddler milk advertising promotes infant formula is prevalent amongst Australian parents by determining whether they recalled seeing advertisements for infant formula products – in spite of the provisions of the MAIF Agreement – and what messages they remembered these advertisements containing." *Id*., at p. 5. The study found that "[m]ore than half [of those interviewed] (55.9%) reported that they had seen a formula product suitable from 12 months (toddler milk) advertised", and that "(66.8%) reported that they had seen a formula product suitable for use from birth (infant formula) advertised". *Id*., at p. 6. If this were true, it would have indicated that widespread MAIF Agreement/WHO Code violations had occurred during those years (2007-2008), which was simply not the case. *See, e.g.*, Australian Government Department of Health and Ageing, *Annual Report of the Advisory Panel on the Marketing in Australia of Infant Formula (APMAIF) 2007-2008* (2009), available at: http://www.health.gov.au/internet/main/publishing.nsf/Content/49409F02A00490B3CA25767E007C8019/$File/2007-08%20APMAIF%20Annual%20Report.pdf (discussing the receipt of one hundred fifty-nine complaints, *one hundred forty of which were assessed as falling outside the scope of the MAIF Agreement*). From such data, and nothing more, the survey's authors concluded that the strength of the "share[d] brand identifiers link[ing] toddler milk…to the same brand of infant formula" led "respondents [to] believe[] that they had seen advertisements for infant formula products even though most of them could not have". *Id*. *See* Nina J Berry, Sandra Jones and Don Iverson, *It's All Formula to Me: Women's Understandings of Toddler Milk Ads*, 17(3) Breastfeeding Review (2010); Nina J Berry, Sandra Jones and Don Iverson, *Toddler Milk Advertising in Australia: The Infant Formula Ads We Have When We Don't Have Infant Formula Ads*, University of Wollongong Research Online (2010), *supra*, at p. 8. According to the authors, this data "suggest[ed] that toddler milk advertisements are functioning as *de facto* infant formula advertisements in Australia," and that consequently, "the MAIF is failing to achieve its stated purpose." *Id*.

safety and integrity of its China-bound formula exports. For this reason, it is unlikely that the request made by the New Zealand Food Safety Minister to the New Zealand Ministry for Primary Industries ("MPI") "to undertake an audit of the verification, compliance and testing regimes in place for infant formula" will engender any further encumbrance of the use of trademark (word mark and non-word mark) assets. The MPI Minister's request for such a review had instead been prompted by on *industry* warnings about potential food safety issues arising from inexperienced (and perhaps, unscrupulous[276]) Chinese-owned export-market-only companies[277] lacking basic supply chain integrity,[278] and is, therefore, more likely to be directed at Australia-New Zealand Food Safety Standard 2.9.1. In fact, the New Zealand MPI and the New Zealand Customs Service have since addressed these formula product safety and marketing risks by prosecuting exporters which have failed to comply with New Zealand's agricultural (dairy) product export laws,[279] and by also developing a public registry of all New Zealand infant formula exporters.[280] Therefore, the risk is minimal, if non-existent, that the GHK-SAR's adoption of Australia-New Zealand's less trademark-encumbering requirements and overall less trade-restrictive prohibitions and restrictions in lieu of the more onerous special requirements and other prohibitions imposed by the Draft HK Code, will undermine the achievement of the GHK-SAR's (Draft HK Code's) public policy objectives.

III. Conclusion

TRIPS Article 20 was arguably intended to curtail the ability of WTO Members to prevent or impede marks from performing their primary and secondary functions, respectively, guaranteeing the origin of goods, and indicating quality, advertising and communicating information to consumers.[281] The

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276 *See* Joe Nocera, *The Baby Formula Barometer*, New York Times Op-Ed (July 26, 2013), available at: http://www.nytimes.com/2013/07/27/opinion/nocera-the-baby-formula-barometer.html?_r=0

277 *See* Zhou Wenting, *Complaints Spike Over Subpar Baby Formula Imports*, People's Daily Online/China Daily (July 29, 2013), available at: http://english.peopledaily.com.cn/90778/8343660.html; http://usa.chinadaily.com.cn/business/2013-07/29/content_16848364.htm; Christopher Adams, *New China Heat on NZ Baby Formula*, New Zealand Herald (July 31, 2013), available at: http://www.nzherald.co.nz/business/news/article.cfm?c_id=3&objectid=10905697; Abe Sauer, *Infant Formula Marketing Scam Unravels in New Zealand*, Brandchannel (June 3, 2011), available at: http://www.brandchannel.com/home/post/2011/06/03/Intl-Infant-Formula-Marketing-Scam-Unravels-in-New-Zealand.aspx.

278 *See* Xinhua, Interview: *New Zealand, Australia Baby Formula Makers to Push Integrity at China Expo* (July 15, 2013), available at: http://news.xinhuanet.com/english/indepth/2013-07/15/c_132542294.htm; Xinhua, *Infant Formula Firms Welcome New Zealand Food Safety Review Over China Concerns* (June 27, 2013), available at: http://english.peopledaily.com.cn/90777/8302615.html.

279 *See* Xinhua, *New Zealand Moves to Stop Illegal Infant Formula Exports*, Global Times (9/28/12), available at: http://www.globaltimes.cn/content/735978.shtml.

280 *See* Xinhua, *NZ to Publish Registered Infant Formula Products for China: Report*, Global Times (7/22/13), available at: http://www.globaltimes.cn/content/798087.shtml#.UflXBWLCaSo.

281 "[T]he source and origin function of trademarks is the main, and indeed, primary function of trademarks…[However,]…trademarks could have - and in most cases have secondary functions such as indicating quality, advertising and providing information…In today's markets, where a huge number of goods are available, producers can use their trademarks to advertise goods and/or services and to allow purchasers to identify the source and origin thereof. 'The way in which trade marks facilitate this process is [through] their ability to distinguish and identify goods and services'…meaning that trademarks facilitate consumers' identification of the source and origin of the goods and/or services…The advertising function [which permits the public to recognize the trademark owner's association of] the mark with the article…[can be]…achieved…through extensive advertising…[which] educates consumers and creates a demand for goods and/or services, in order to create brand awareness in the minds of consumers, 'especially in markets characterised by over-capacity and increased competition'…The last secondary function of trademarks is the informative function. This function means that trademarks play an important role in providing consumers with the necessary amount of information that needs to be communicated. Providing them with information about products is also related to personal experiences with certain products, which differ from one consumer to the other." *See* Mohammad Amin Naser, *Reexamining the Functions of Trademark Law*, 8

prior discussion presents sufficient *prima facie* evidence to show that Draft HK Code Articles 4.2.1(b), 4.3.1(a), 4.4.1(d), 5.1, 7.3.2(d) and 8.2.1(a) constitute special requirements within the meaning of TRIPS Article 20 that are more trademark-encumbering and trade-restrictive than necessary to achieve the Draft HK Code's legitimate objectives, considering the risks their nonfulfillment would create. As a result, the GHK-SAR now bears the burden of proving that these special requirements are "necessary" under TRIPS Article 8, and thus, "justified" encumbrances of legitimate trademark uses (i.e., "legitimate interests") under TRIPS Article 20. In satisfying this burden, the GHK-SAR must remember that since fanciful, arbitrary and/or suggestive marks are deserving of greater legal protection than descriptive or generic marks,[282] it will need to meet a relatively higher evidentiary threshold with respect to them. In addition, the GHK-SAR also bears the burden of demonstrating why its adoption of a combined Australia-New Zealand WHO-Code implementing framework, containing fewer trademark-encumbering special requirements than the Draft HK Code, would pose risks to the fulfillment of the GHK-SAR's public policy objectives at the GHK-SAR's chosen level of protection.

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About the Author. Lawrence A. Kogan, Esq. is Managing Principal of The Kogan Law Group, P.C., a New York City-based multidisciplinary legal services firm, and President/Director of the Institute for Trade, Standards and Sustainable Development (ITSSD) (www.itssd.org) that is a globally recognized NGO for reporting and analysis of the growing influence of evolving foreign and international public interest rules on private property rights and the American free enterprise and common law systems.

Chi.-Kent J. Intell. Prop. 99, 101-102 (2008), available at: http://ckjip.com/wp-content/uploads/2013/03/05_8JIntellProp992008-2009.pdf. *See also* L'Oréal/Bellure, case C-487/07, CJEU, judgment of June 18, 2009, available at: http://www.ippt.eu/files/2009/IPPT20090618_ECJ_L-Oreal_v_Bellure.pdf. ("[T]he functions of a trademark…include not only the essential function of the trade mark, which is to guarantee to consumers the origin of the goods or services, but also its other functions, in particular that of guaranteeing the quality of the goods or services in question and those of communication, investment or advertising."). *Id.*, at par. 58.

282 *See, e.g.*, United States Patent and Trademark Office, *Protecting Your Trademark – Enhancing Your Rights Through Federal Registration: Basic Facts About Trademarks* (2012), available at: http://www.uspto.gov/trademarks/basics/BasicFacts.pdf. *See also* Berkman Center for Internet & Society, *Frequently Asked Questions (and Answers) about Trademark: What to Expect When You're Expecting to Be Sued for Trademark Infringement*, Chilling Effect, available at: http://chillingeffects.org/trademark/faq.cgi. ("A trademark can fall into one of 5 categories. It can be: (1) fanciful; (2) arbitrary; (3) suggestive; (4) descriptive; or (5) generic. Not all of these varieties of marks are entitled to the same level, or indeed any level, of trademark protection. A fanciful mark is a mark someone made up; examples include KODAK or HAGEN-DAZS. An arbitrary mark is a known term applied to a completely unrelated product or service; for instance, AMAZON.com for an online book-store cum one-stop shopping site or APPLE for computers. *Fanciful and arbitrary marks are considered strong marks and garner substantial trademark protection*. A suggestive mark is one that hints at the product, but which requires an act of imagination to make the connection: COPPERTONE for sun tan lotion or PENGUIN for coolers or refrigerators are examples. *Suggestive marks are also strong marks and receive protection*. A descriptive mark, predictably, describes the product: HOLIDAY INN describes a vacation hotel and FISH-FRI describes batter for frying fish. *Descriptive marks do not receive any trademark protection unless their user has used them in commerce and has built up secondary meaning*. 'Secondary meaning' occurs when consumers identify the goods or services on which the descriptive term appears with a single source. In other words, if consumers know that HOLIDAY INN hotels are all affiliated with a single source, then the mark has secondary meaning and receives trademark protection. Finally, generic marks simply designate the variety of goods involved: for example, 'cola' used on soft drinks and 'perfume' on perfume are both generic terms. *Generic marks never receive any trademark protection*; they are free for everybody to use") (emphasis added). *Id*.

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