this conclusion covers the trademark requirements of the TPP measures as they apply to packaging of tobacco products as well as tobacco products themselves, including cigarette sticks.

6.718. In light of the foregoing, we do not consider that the Panel failed to address the Dominican Republic's claim that the TPP measures' requirements for individual cigarette sticks, which prohibit the use of any trademarks on a cigarette, are inconsistent with Article 20 of the TRIPS Agreement. We therefore reject the Dominican Republic's claim under Articles 7.1 and 11 of the DSU.

6.3.2.6 Conclusion

6.719. In light of the above, we consider that the Panel did not err in its interpretation, in paragraph 7.2430 of the Panel Report, of the term "unjustifiably" in Article 20 of the TRIPS Agreement and in its application of this interpretation to the facts of the present dispute. Consequently, we uphold the Panel's finding that the complainants have not demonstrated that the TPP measures are inconsistent with Australia's obligations under Article 20 of the TRIPS Agreement. ¹⁸⁴⁸

7 FINDINGS AND CONCLUSIONS

7.1. For the reasons set out in these Reports, the Appellate Body makes the following findings and conclusions:

7.1 Article 2.2 of the TBT Agreement

7.2. With respect to the contribution of the TPP measures to Australia's objective, we have found that the appellants have not demonstrated that the Panel erred in finding, in paragraphs 7.1025 and 7.1043 of the Panel Report, that:

7.1025. Overall ... the complainants have not demonstrated that the TPP measures are not apt to make a contribution to Australia's objective of improving public health by reducing the use of, and exposure to, tobacco products. Rather, we find that the evidence before us, taken in its totality, supports the view that the TPP measures, in combination with other tobacco-control measures maintained by Australia (including the enlarged GHWs introduced simultaneously with TPP), are apt to, and do in fact, contribute to Australia's objective of reducing the use of, and exposure to, tobacco products.

... 

7.1043. Taken as a whole, therefore, we consider that the evidence before us supports the view that, as applied in combination with the comprehensive range of other tobacco control measures maintained by Australia and not challenged in these proceedings, including a prohibition on the use of other means through which branding could otherwise contribute to the appeal of tobacco products and to misleading consumers about the harmful effects of smoking, the TPP measures are apt to, and do, make a meaningful contribution to Australia's objective of reducing the use of, and exposure to, tobacco products. ¹⁸⁴⁹

7.3. With respect to the trade restrictiveness of the TPP measures, we find that the appellants have not demonstrated that the Panel erred in finding, in paragraph 7.1255 of the Panel Report, that:

[T]he TPP measures are trade-restrictive, insofar as, by reducing the use of tobacco products, they reduce the volume of imported tobacco products on the Australian market, and thereby have a "limiting effect" on trade. We also conclude that, while it is plausible that the measures may also, over time, affect the overall value of tobacco imports, the evidence before us does not show this to have been the case to date. We

¹⁸⁴⁹ Panel Report, paras. 7.1025 and 7.1043.
are also not persuaded that the complainants have demonstrated that the TPP measures impose conditions on the sale of tobacco products in Australia or compliance costs of such magnitude that they would amount to a limiting effect on trade.\textsuperscript{1850}

7.4. With respect to the alternative measures, we have found that the Panel erred in finding that the complainants failed to demonstrate that each of the two alternative measures would be apt to make a contribution equivalent to that of the TPP measures.\textsuperscript{1851} Specifically, to the extent that the Panel suggested that each alternative measure may be considered apt to achieve a similar or comparable degree of "meaningful" overall reduction in smoking in Australia to that of the TPP measures, and yet its contribution would not be equivalent because of its failure to address the design features of tobacco packaging that the TPP measures seek to address in the context of Australia's broader tobacco control policy, we have found that the Panel erred in its application of Article 2.2.

7.5. At the same time, we have found that the Panel did not err in finding that the complainants failed to demonstrate that these two alternative measures are less trade-restrictive than the TPP measures.\textsuperscript{1852} Consequently, although we have found that the Panel erred in its application of Article 2.2 with respect to the equivalence of the contribution of each alternative measure, the Panel's findings, in paragraphs 7.1471 and 7.1545 of the Panel Report, that the complainants had not demonstrated that the increase in the MLPA and the increase in taxation would each "be a less trade-restrictive alternative to the TPP measures that would make an equivalent contribution to Australia's objective", stand.

7.6. For these reasons, we uphold the Panel's conclusion, in paragraph 7.1732 of the Panel Report, that:

\begin{quote}
[T]he complainants have not demonstrated that the TPP measures are more trade-restrictive than necessary to fulfil a legitimate objective, within the meaning of Article 2.2 of the TBT Agreement.\textsuperscript{1853}
\end{quote}

7.2 Article 16.1 of the TRIPS Agreement

7.7. Article 16.1 of the TRIPS Agreement grants a trademark owner the exclusive right to preclude unauthorized third parties from using, in the course of trade, identical or similar signs for goods or services that are identical or similar to those with respect to which the trademark is registered. The owner of a registered trademark can exercise its "exclusive right" as against an unauthorized third party but not against the WTO Member in whose territory the trademark is protected. Neither the TRIPS Agreement nor the provisions of the Paris Convention (1967) that are incorporated by reference into the TRIPS Agreement confer upon a trademark owner a positive right to use its trademark or a right to protect the distinctiveness of that trademark through use. Accordingly, there is no corresponding obligation on Members to give effect to such "rights". Instead, in accordance with Article 1.1 of the TRIPS Agreement, Members are required to give effect to Article 16.1 by ensuring that, in the Members' domestic legal regimes, the owner of a registered trademark can exercise its "exclusive right to prevent" the infringement of its trademark by unauthorized third parties. Hence, for purposes of WTO dispute settlement, in order to establish that a WTO Member has acted inconsistently with Article 16.1, the complaining Member must demonstrate that, under the responding Member's domestic legal regime, the owner of a registered trademark cannot exercise its "exclusive right to prevent" the infringement of its trademark by unauthorized third parties.

7.8. For these reasons, we conclude that the Panel did not err in its interpretation in finding, in paragraphs 7.1978, 7.1980, and 7.2031 of the Panel Report, that:

\begin{quote}
7.1978. In light of the ordinary meaning of the text and consistently with prior rulings, we agree with the parties that Article 16.1 does not establish a trademark owner's right to use its registered trademark. Rather, Article 16.1 only provides for a registered
\end{quote}

\textsuperscript{1850} Panel Report, para. 7.1255.
\textsuperscript{1851} Panel Report, paras. 7.1464 and 7.1531.
\textsuperscript{1852} Panel Report, paras. 7.1417 and 7.1495.
\textsuperscript{1853} See also Panel Report (DS435), para. 8.1.a; Panel Report (DS441), para. 8.1.b.i.
trademark owner’s right to prevent certain activities by unauthorized third parties under the conditions set out in the first sentence of Article 16.1.

7.1980. [I]n order to show that the TPP measures violate Australia’s obligation under Article 16.1, the complainants would have to demonstrate that, under Australia’s domestic law, the trademark owner does not have the right to prevent third-party activities that meet the conditions set out in that provision.

7.2031. [W]e therefore conclude that the possibility of a reduced occurrence of a “likelihood of confusion” in the market does not, in itself, constitute a violation of Article 16.1, because Members’ compliance with the obligation to provide the right to prevent trademark infringements under Article 16.1 is independent of whether such infringements actually occur in the market. Article 16.1 does not require Members to refrain from regulatory measures that may affect the ability to maintain distinctiveness of individual trademarks or to provide a “minimum opportunity” to use a trademark to protect such distinctiveness.1854

7.9. Having found no error in the Panel’s interpretation, we agree with the Panel that there was "no need to examine further the complainants’ factual allegation that the TPP measures' prohibition on the use of certain tobacco-related trademarks will in fact reduce the distinctiveness of such trademarks, and lead to a situation where a 'likelihood of confusion' with respect to these trademarks is less likely to arise in the market".1855 Honduras' claims that the Panel erred in its application of Article 16.1 and failed to make an objective assessment of the matter as required by Article 11 of the DSU are conditioned on our reversal of the Panel’s interpretation. The condition on which Honduras' appeal is predicated, i.e. the reversal of the Panel's interpretation, has not been satisfied. Consequently, we have found that we need not address Honduras' remaining claims of error.

7.10. In light of the foregoing, we uphold the Panel’s conclusion, in paragraph 7.2051 of the Panel Report, that “the complainants have not demonstrated that the TPP measures are inconsistent with Australia’s obligations under Article 16.1 of the TRIPS Agreement.”1856

7.3 Article 20 of the TRIPS Agreement

7.11. The ordinary meaning of the term "unjustifiably", read in the context of other provisions of the TRIPS Agreement, indicates that Members enjoy a certain degree of discretion in imposing encumbrances on the use of trademarks under Article 20 of the TRIPS Agreement.1857 In order to establish that the use of a trademark in the course of trade is being unjustifiably encumbered by special requirements, the complainant has to demonstrate that a policy objective pursued by a Member imposing special requirements does not sufficiently support the encumbrances that result from such special requirements. Such a demonstration could include a consideration of: (i) the nature and extent of encumbrances resulting from special requirements, taking into account the legitimate interest of the trademark owner in using its trademark in the course of trade; (ii) the reasons for the imposition of special requirements; and (iii) a demonstration of how the reasons for the imposition of special requirements support the resulting encumbrances.1858 Moreover, while in the circumstances of a particular case, the existence of an alternative measure involving a lesser degree of encumbrance on the use of a trademark could be used as a consideration in evaluating the justifiability of special requirements and related encumbrances on the use of a trademark, such an examination is not a necessary inquiry under Article 20 of the TRIPS Agreement.

7.12. We therefore consider that the Panel did not err in the interpretation of Article 20 of the TRIPS Agreement in stating, in paragraph 7.2430 of the Panel Report, that:

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1855 Panel Report, para. 7.2032.
1857 The degree of discretion reflected through the term “unjustifiably” in Article 20 is higher than it would have been, had the term reflecting the notion of “necessity” been used in this provision.
1858 Panel Report, para. 7.2430.
A determination of whether the use of a trademark in the course of trade is being "unjustifiably" encumbered by special requirements should involve a consideration of the following factors:

a. the nature and extent of the encumbrance resulting from the special requirements, bearing in mind the legitimate interest of the trademark owner in using its trademark in the course of trade and thereby allowing the trademark to fulfil its intended function;

b. the reasons for which the special requirements are applied, including any societal interests they are intended to safeguard; and

c. whether these reasons provide sufficient support for the resulting encumbrance.1859

7.13. We also find that the Panel did not err in its application of this interpretation to the facts of the present dispute. Consequently, we uphold the Panel's conclusion, in paragraph 7.2606 of the Panel Report, that the complainants have not demonstrated that the TPP measures are inconsistent with Australia's obligations under Article 20 of the TRIPS Agreement. 1860

7.4 Recommendation

7.14. The Panel rejected the complainants' claims and found that Honduras and the Dominican Republic had not demonstrated that the TPP measures are inconsistent with the provisions of the covered agreements at issue. In light of these findings, the Panel declined Honduras' and the Dominican Republic's requests that the Panel recommend, in accordance with Article 19.1 of the DSU, that the DSB request Australia to bring the measures at issue into conformity with the TRIPS Agreement and the TBT Agreement.

7.15. Having upheld the Panel's findings under Article 2.2 of the TBT Agreement and Articles 16.1 and 20 of the TRIPS Agreement, it follows that we also agree with the Panel that Honduras and the Dominican Republic have not succeeded in establishing that Australia's TPP measures are inconsistent with the provisions of the covered agreements at issue. Accordingly, we make no recommendation to the DSB, pursuant to Article 19.1 of the DSU.

Signed in the original in Geneva this 31st day of March 2020 by:

___________________________  ____________________________  ____________________________
Shree B. C. Servansing          Ujal Singh Bhatia              Thomas R. Graham
Presiding Member               Member                            Member

1859 Panel Report, para. 7.2430. We note, at the same time, that, in paragraph 7.2430 of its Report, the Panel used the auxiliary verb "should" in introducing the factors pertinent to the examination of whether the use of a trademark in the course of trade is unjustifiably encumbered by special requirements. We wish to clarify that, while an inquiry under Article 20 could include the consideration of the above-mentioned factors, the degree of discretion vested in Members under Article 20 does not call for a rigid and exact set of considerations that are relevant for the examination of whether the use of a trademark is unjustifiably encumbered by special requirements.