

## ANNEX B-5

### SECOND WRITTEN SUBMISSION OF THE EUROPEAN COMMUNITIES

(22 July 2004)

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**Table of WTO cases referred to in this submission**

<b>Short Title</b>	<b>Full Case Title and Citation of Case</b>
<i>Canada – Autos</i>	Panel Report, <i>Canada – Certain Measures Affecting the Automotive Industry</i> , WT/DS139/R, WT/DS142/R, adopted 19 June 2000, as modified by the Appellate Body Report, WT/DS139/AB/R, WT/DS142/AB/R, DSR 2000:VII, 3043
<i>EC – Sardines</i>	Appellate Body Report, <i>European Communities – Trade Description of Sardines</i> , WT/DS231/AB/R, adopted 23 October 2002
<i>EC – Hormones</i>	Appellate Body Report, <i>EC Measures Concerning Meat and Meat Products (Hormones)</i> , WT/DS26/AB/R, WT/DS48/AB/R, adopted 13 February 1998, DSR 1998:I, 135
<i>Korea – Various Measures on Beef</i>	Appellate Body Report, <i>Korea – Measures Affecting Imports of Fresh, Chilled and Frozen Beef</i> , WT/DS161/AB/R, WT/DS169/AB/R, adopted 10 January 2001
<i>US – Gasoline</i>	Appellate Body Report, <i>United States – Standards for Reformulated and Conventional Gasoline</i> , WT/DS2/AB/R, adopted 20 May 1996, DSR 1996:I, 3
<i>US – Section 301 Trade Act</i>	Panel Report, <i>United States – Sections 301-310 of the Trade Act of 1974</i> , WT/DS152/R, adopted 27 January 2000, DSR 2000:II, 815

**GLOSSARY**

<b>Commission, EC Commission</b>	Commission of the European Communities
<b>Committee</b>	Committee of representatives of the Member States referred to in Article 15 of Council Regulation 2081/92
<b>Community Trademark Regulation</b>	Council Regulation (EC) No 40/94, of 20 December 1993, on the Community Trademark, as amended
<b>Council, EC Council</b>	Council of the European Union
<b>Court of Justice, European Court of Justice</b>	Court of Justice of the European Communities
<b>DSU</b>	Understanding on Rules and Procedures Governing the Settlement of Disputes
<b>EC</b>	European Communities
<b>GATT</b>	General Agreement on Tariffs and Trade 1994
<b>FOS</b>	First Oral Statement
<b>FWS</b>	First Written Submission
<b>GI</b>	Geographical indication
<b>Member States, EC Member States</b>	Member States of the European Union
<b>Official Journal</b>	Official Journal of the European Union
<b>Paris Convention</b>	Stockholm Act of the Paris Convention for the protection of Industrial property, of 14 July 1967
<b>Regulation 2081/92, Regulation</b>	Council Regulation (EEC) No 2081/92 of 14 July 1992 on the protection of geographical indications and designations of origin for agricultural products and foodstuffs, as amended on the date of establishment of the Panel
<b>SCM Agreement, SCM</b>	Agreement on Subsidies and Countervailing Duties
<b>Trademarks Directive</b>	First Council Directive 89/104, of 20 December, on the Community Trademark, as amended
<b>TBT Agreement, TBT</b>	Agreement on Technical Barriers to Trade
<b>TRIPS Agreement, TRIPS</b>	Agreement on Trade-Related Aspects of Intellectual Property Rights
<b>US</b>	United States
<b>WTO Agreement</b>	Marrakesh Agreement Establishing the World Trade Organization

## **I. INTRODUCTION**

1. This submission provides the rebuttal of the European Communities to the arguments made by the complainants at the first meeting with the Panel of 23-24 June 2004, as well as in their responses to the questions from the Panel and from the EC of 8 July 2004. The EC has addressed some of those arguments as part of its own responses to the Panel's questions. In order to avoid unnecessary repetitions, the EC will refer to those responses where appropriate.

2. In the following section, the EC will first discuss some horizontal issues concerning the objective assessment of the content of Regulation 2081/92. In the following sections, the EC will comment on the arguments of the complainants claim by claim, following the structure already used in the EC's first written submission.

## **II. THE OBJECTIVE ASSESSMENT OF THE CONTENT OF REGULATION 2081/92**

3. The EC has already set out the content of Regulation 2081/92 in its first written submission.<sup>1</sup> In the present submission, the EC refers to this general presentation. Where the complainants have contested the interpretation of particular provisions of Regulation 2081/92, the EC will respond to these arguments in the discussion of the specific claims raised by the complainants.

4. In the present section, the EC would like to address two horizontal issues which are essential for the objective assessment of the content of Regulation 2081/92 by the Panel:

- the proper approach to the interpretation of Regulation 2081/92 as a measure of EC domestic law;
- the importance of WTO law and obligations for the interpretation of Regulation 2081/92 in the EC legal order.

### **A. THE PROPER APPROACH TO THE INTERPRETATION OF REGULATION 2081/92 AS A MEASURE OF EC DOMESTIC LAW**

5. In its response to the first question asked by the Panel after the first substantive hearing, the EC has set out how it believes the Panel should approach the interpretation of Regulation 2081/92.<sup>2</sup>

6. As the EC has already stated, the meaning of Regulation 2081/92 is, for the purposes of the present dispute, a question of fact. Accordingly, the burden of proof for establishing that Regulation 2081/92 has a particular meaning rests on the complainants. This means that it is the complainants, not the EC, who must show that Regulation 2081/92 has in fact the meaning which they allege it has.

7. Since the interpretation of Regulation 2081/92 as a measure of EC domestic law is a question of fact, it follows that Panel must not "interpret" the meaning of Regulation 2081/92 as it would interpret provisions of the WTO Agreement. Rather, the Panel must, accordance with Article 11 DSU, proceed to an objective assessment of the meaning of this Regulation within the legal order of the EC.

8. For the purposes of this objective assessment, it is essential that the Panel take into account the legal context of the measure within the legal order of the Member concerned. For this reason, due account must also be taken of the meaning which is given to the measure in question by the authorities of the Member concerned. As the Panel in *US – Section 301* has held, for this reason,

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<sup>1</sup> EC FWS, para. 43 et seq.

<sup>2</sup> EC Response to Panel's Question No. 1, para. 1 et seq.

considerable deference must be given to the explanations given by the Member concerned as to the meaning of its own measure.<sup>3</sup>

9. In their responses to the questions of the Panel, the United States and Australia have failed to correctly appreciate these principles. First of all, it appears that the United States attempts to shift the burden of proof as regards the content of Regulation 2081/92 to the EC.<sup>4</sup> However, this burden of proof is on the complainants; and as the EC will set out in its discussion of the individual claims Australia and the United States do not provide sufficient evidence to demonstrate that the provisions of the Regulation do indeed have the meaning which they allege.

10. More importantly still, the United States and Australia fail to give due weight to the fact that Regulation 2081/92 is a measure of EC domestic law. This is illustrated by the incorrect statements of the United States and Australia as regards the interpretation of the Regulation 2081/92 by the Court of Justice. As the EC will set out in greater detail in the next section, these statements entirely fail to appreciate the relevance of WTO law and obligations for the interpretation of Regulation 2081/92 in the EC legal order.

11. Particularly striking in this context is the contention of the United States that the "Commission's interpretation" before the Panel should not be granted "any particular deference".<sup>5</sup> First of all, the EC would like to stress that the US is incorrect to refer to the "Commission's" statements or interpretations. As the US is well aware, the European Communities as a Member of the WTO is represented by the European Commission. Accordingly, the statements made by the EC representatives before the Panel are made on behalf of the European Communities as a whole, and not on behalf of the European Commission or any other institution of the EC.

12. For this reason, the US comments regarding the weight of the Commission's opinions with respect to other institutions within the EC legal order<sup>6</sup> are without any relevance for evaluating the statements made by the EC before the Panel. In addition, the US statements in this regard are partially incorrect, and give a tilted picture of the institutional system of the EC.

13. For instance, the United States refers to the practice of complaint letters in the field of competition law.<sup>7</sup> The EC does not see the relevance of this example for the present dispute. That the Commission's comfort letters, which are not intended to be binding, are not binding on national courts, is not particularly surprising. What the US fails to mention, in contrast, is that despite their not being binding, such letters are usually respected. As one author has put it in a recent publication on competition law: "Furthermore, it is likely that a national court, although not formally bound by a comfort letter, would be strongly influenced by it".<sup>8</sup>

14. Similarly, the EC wonders what is the basis for the US statement that before the Court of Justice, the Commission's brief "carries no greater weight than a brief submitted by a private party", and that "in many cases, the ECJ does not even accept the Commission's interpretation".<sup>9</sup> This statement already disregards that in accordance with Article 211 EC Treaty, the Commission is responsible "to ensure that the provision of this Treaty and the measures taken by the institutions

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<sup>3</sup> Panel Report, *US – Section 301*, para. 7.18. Full quotation cf. EC Response to Panel's Question No. 1, para. 3.

<sup>4</sup> US Response to Panel's Question No. 1, para. 1.

<sup>5</sup> US Response to Panel's Question No. 1, para. 18.

<sup>6</sup> US Response to Panel's Question No. 1, para. 8 et seq.

<sup>7</sup> Cf. US Response to Panel's Question No. 1, para. 10.

<sup>8</sup> R. Whish, *Competition Law*, 5<sup>th</sup> edition (2003), p. 167 (Exhibit EC-33).

<sup>9</sup> US Response to Panel's Question No. 1, para. 11.



pursuant thereto are applied". In other words, the EC is not just "any other private party", but is the guardian of the EC Treaty.

15. This is also reflected by the fact that unlike a private party, the Commission may intervene in any proceedings pending before the Court of Justice to which it is not itself a party.<sup>10</sup> Similarly, it may present observations with respect to all requests for preliminary rulings.<sup>11</sup> The Commission exercises this right to intervene and present observations systematically, and in the great majority of cases, its observations are followed by the Court.

16. Finally, the complainants fail to accord a reasonable degree of deference to the statements of the EC as regards its own measure. In its oral statement in the first hearing, the United States has stated that a clarification that the EC does not apply conditions of reciprocity and equivalence to other WTO Members "will be welcome".<sup>12</sup> However, its comments give the opposite impression. Indeed, the EC is wondering from whom the US is hoping to receive the desired clarification, if not from the representatives of the European Communities.<sup>13</sup>

17. In conclusion, the Panel should, in its approach to Regulation 2081/92, take due account of the character of this measure as a measure of EC domestic law, and give due weight to the explanation which are furnished by the European Communities in this respect.

#### B. THE IMPORTANCE OF WTO LAW AND OBLIGATIONS FOR THE INTERPRETATION OF REGULATION 2081/92 IN THE EC LEGAL ORDER

18. A particular point with respect to which the United States and Australia fail to appreciate the proper legal context of Regulation 2081/92 is the importance of WTO law and obligations for the interpretation of the Regulation. This issue is of particular importance regarding the claims that the EC applies conditions of "reciprocity and equivalence" to the registration of geographical indications from other WTO Members, and the EC will return to it in this context. However, it is also a horizontal question, on which the EC would therefore offer a number of general observations.

19. In its response to Question 15 of the Panel, the EC has already set out in detail, citing concrete examples from the case law, how the European Court of Justice takes into account the obligations arising from international agreements, in particular the WTO Agreements, in the interpretation and application of acts of Community law.<sup>14</sup>

20. The United States and Australia have entirely ignored this case law, and have rather superficially limited themselves to stating that according to the European Court of Justice, the WTO Agreements do not have direct effect, and are not in principle among the rules in the light of which the Court of Justice is to review the legality of measures adopted by the Community institutions.<sup>15</sup> In support of this statement, the complainants have relied on two judgements of the Court of Justice, namely the judgements in case C-149/96, *Portugal/Council*, and in Case C-93/02 P, *Biret*.<sup>16</sup>

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<sup>10</sup> Article 40 (1) of the Statute of the European Court of Justice.

<sup>11</sup> Article 23 (2) of the Statute of the European Court of Justice.

<sup>12</sup> US FOS, para. 16.

<sup>13</sup> The EC also notes that in its comments on the Panel's draft letter to WIPO, which it transmitted by e-mail to the Secretariat on 9 July 2004, Australia warns against "inappropriate interpretative analysis on the part of the International Bureau of WIPO of those countries' legislation and intentions". The EC wonders why Australia insists on deference as regards the legislation of WIPO Members, but would not want the Panel to afford any deference as regards the interpretation of EC legislation.

<sup>14</sup> EC Response to Panel's Question No. 15, para. 28 et seq.

<sup>15</sup> US Response to Panel's Question No. 1, para. 15–16; Australian response to Question 6.

<sup>16</sup> Exhibits US-31 and US-32.

21. This presentation of the importance of WTO law within the EC legal order is incorrect. First of all, the cases referred to by the complainants are not relevant for the present context. Both judgments concerned the conditions under which the legality of a Community measure could be challenged under EC law because of incompatibilities with WTO law. This question has nothing to do with the present case. In the present case, the question is not whether Regulation 2081/92 could be challenged before the European Court of Justice for alleged inconsistencies with WTO law; the question is how Regulation 2081/92 must be interpreted taking into account the international obligations of the EC, and given the references to these international obligations which it contains.

22. In fact, the complainants fail to appreciate that WTO law is important in more than one way in the EC legal order. As one scholar of Community law has observed, one of the most important openings for WTO law in the legal order of the EC is the principle of that EC law must be interpreted in line with the EC's international obligations:<sup>17</sup>

As a consequence, WTO compliant interpretation could result in the most effective means to judicially enforce, in the absence of specific measures of transformation, WTO law into the Community legal order. This is not the least reinforced by the weight the Panel in its Report on Section 301 on the US Trade Act has put on the option of WTO conform interpretation.

23. In fact, the European Court of Justice consistently strives to interpret EC legal measures in accordance with the EC's international obligations. As the EC has already set out, there are numerous examples where the European Court of Justice has taken account of and applied international obligations, including the WTO agreements, in the interpretation of EC law.<sup>18</sup>

24. As one commentator, now a Judge of the European Court of Justice, has observed, the judgement in case C-149/96, *Portugal/Council*, does not have the effect of rendering WTO law irrelevant under Community law:<sup>19</sup>

The judgment in *Portugal v. Council* does not render the WTO Agreements irrelevant under Community law. First of all, they may have what has been called "indirect" effect, implying an obligation for domestic courts to *interpret* national law in the light of WTO law. In *Hermès*, the Court of Justice made the following finding:

"It should be stressed at the outset that, although the issue of the direct effect of Article 50 of the TRIPs Agreement has been argued, the Court is not required to give a ruling on that question, but only to answer the question of *interpretation* submitted to it by the national court so as to enable that court to *interpret Netherlands procedural rules in the light of that article*". (emphasis added)

Apart from this "indirect" effect, the Court in an infringement case has held that, because of the "primacy" of international agreements over provisions of secondary Community legislation, such provisions "must", so far as is possible, be interpreted in a manner that is consistent with those agreements" (the agreement in question was a GATT Agreement). In the same case, the Court confirmed that EU Member States are called upon to respect the GATT Agreements and can in the interest of uniform

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<sup>17</sup> Stefan Griller, *Enforcement and Implementation of WTO Law in the European Union*, in Breuss/Griller/Vranes (ed.), *The Banana Dispute*, p. 247, 270 (2003) (Exhibit EC-34).

<sup>18</sup> EC Response to Panel's Question No. 15, para. 33–38.

<sup>19</sup> Allan Rosas, Case note, 37 CMLR 797, 814 (2000) (Exhibit EC-35).

application of these Agreements throughout the EU be brought before the Court of Justice in infringement proceedings.

25. Accordingly, the misgivings that the complainants voice regarding the approach which the European Court of Justice, or other institutions of the EC, might take to the interpretation of Regulation 2081/92 are misplaced. This is particularly so where, as in the case of Article 12(1) of Regulation 2081/92, the EC measure specifically provides that it applies "without prejudice to international agreements".

26. For these reasons, the Panel should not assume that the institutions of the EC, and in particular the European Court of Justice, will ignore WTO obligations in the interpretation and application of Regulation 2081/92.

### **III. REGULATION 2081/92 IS COMPATIBLE WITH NATIONAL TREATMENT OBLIGATIONS, AND DOES NOT IMPOSE A REQUIREMENT OF DOMICILE OR ESTABLISHMENT**

27. The EC has already responded in its first written submission to the claims raised by the complainants as regards the alleged violation of the national treatment provisions of the TRIPS and the GATT, as well as the prohibition on conditions of residence and domicile in Article 2.2 of the Paris Convention.<sup>20</sup> Hereunder, the EC will add a number of further observations on these claims in response to the statements made by the complainants during the first hearing and in their responses to the Panel's questions.

#### **A. NATIONAL TREATMENT UNDER THE TRIPS AGREEMENT (ARTICLE 3.1 TRIPS AND ARTICLE 2.1 TRIPS IN CONJUNCTION WITH ARTICLE 2.1 PARIS CONVENTION)**

28. As in its first written submission, the EC will first turn to the claims made in respect of the national treatment provisions of the TRIPS and the Paris Convention.

#### **1. The Meaning and Scope of National Treatment under the TRIPS Agreement**

29. Already in its first written submission, the EC has pointed out the importance of giving a proper interpretation to the national treatment provisions of Article 3.1 TRIPS Agreement, and similarly of Article 2.1 of the Paris Convention. In particular, the EC has stressed that unlike national treatment under the GATT, which concerns products, national treatment under the TRIPS Agreement is concerned with the treatment of nationals.<sup>21</sup>

30. In their responses to the questions of the Panel, the complainants offer interpretations of Article 3.1 TRIPS Agreement which do not correspond to the wording of the provision. Since this is a horizontal question underlying all the claims brought by the complainants under the national treatment provisions of the TRIPS and the Paris Convention, the EC will offer here some general remarks on the interpretations made by the complainants.

##### **(a) The meaning of "national"**

31. In its response to Question 23 of the Panel, the EC has explained that for natural persons, a national is any person who holds the nationality of the State in question in conformity with the legislation of such state. As regards legal persons, the question of nationality similarly depends on the law of the state in question, which may use criteria such as the law of incorporation, headquarters, or

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<sup>20</sup> EC FWS, para. 101 et seq.

<sup>21</sup> EC FWS, para. 104 et seq.

other criteria.<sup>22</sup> In the view of the EC, nationality is a distinct concept from domicile or establishment. Accordingly, the EC is of the view that it cannot be assumed that a Member State's nationals necessarily include natural persons who are domiciled, or legal persons who have a real and effective industrial and commercial establishment, in that Member.

32. In their responses to the Panel, the United States and Australia have argued the contrary. However, the legal grounds on which they base this view are unclear to the EC.

33. In its responses, the United States seems to have relied primarily on footnote 1 to Article 1.3 of the TRIPS Agreement, which defines the notion of national for the purposes of a "separate customs territory". This reliance by the US on footnote 1 is misplaced.

34. In its response to Question 52, the United States alleges that "footnote 1 to Article 1.3 of the TRIPS Agreement defines 'national' throughout the Agreement not in terms of nationality, but in terms of where a person is domiciled or where a person has a real and effective industrial or commercial establishment".<sup>23</sup> This statement is misleading. Footnote 1 does not define the term "national" for all purposes of the Agreement, but only as regards separate customs territories. As the EC has already remarked, this definition in fact demonstrates that for all cases other than separate customs territories, nationality does not depend on domicile or establishment.<sup>24</sup>

35. Attempting another variant of its argument, the United States seems to suggest that the EC is a separate customs territory, to which footnote 1 to Article 1.3 of the TRIPS Agreement should apply.<sup>25</sup> The EC is not quite sure whether this is a drafting error, or meant to be a serious argument. In the latter case, the EC would be interested to know from what other customs territory the EC is supposed to be "separate".<sup>26</sup> It seems that if the EC is a separate customs territory, so are the United States, Australia, and in fact all WTO Members. Obviously this cannot be the correct meaning of "separate customs territory" in footnote 1 to Article 1.3 TRIPS Agreement.

36. Australia's responses on this point are no less unclear. In its responses, Australia first states that nationals are in the case of natural persons, "persons who possess the nationality of a State", and in regard to legal persons, persons "who are domiciled or established in that WTO Member in accordance with the laws of the WTO Member of which nationality is claimed". However, then Australia goes on to conclude that "nationals normally include natural persons who are domiciled or legal persons who have a real and effective industrial and commercial establishment in that Member". Australia notes further "that these categories of person would not always qualify as nationals".

37. In the view of the EC, these responses obscure the question. The question is not who is "normally" included among nationals, but the question who is a national. Contrary to the views of the complainants, "nationality" is a distinct concept, which is different from questions of domicile or establishment.

38. This is particularly obvious in the case of natural persons. National laws do not "normally" confer nationality simply on the basis of residence or establishment. Similarly, a national does not normally lose his or her nationality simply because of residence abroad.

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<sup>22</sup> EC Response to Panel's Question No. 23, para. 56 et seq.

<sup>23</sup> US Response to Panel's Question No. 26, para. 52.

<sup>24</sup> EC Response to Panel's Question No. 23, para. 60.

<sup>25</sup> US Response to Panel's Question No. 23, para. 49 (referring to "a separate customs territory, such as the EC").

<sup>26</sup> In passing, the EC would note that unlike in the case of a separate customs territory, there is a citizenship of the European Union. Cf. 17 of the EC Treaty, which provides that every person holding the nationality of a Member State shall be a citizen of the Union.

39. The situation in this respect is not fundamentally different for legal persons. Even if the criteria which national laws use may vary, typically nationality is not simply attributed on the basis that a legal person is established in a particular country. The EC would note that if this criterion were sufficient, this could lead to situation where e.g. multinationals companies would be nationals of a very large number of countries.

40. In the view of the EC, this would not be a reasonable definition of nationality. This is why other criteria, such as notably the law of incorporation, are used.<sup>27</sup> The EC notes that its views in this respect coincide with those expressed by Canada in its responses to a Question of the Panel.<sup>28</sup>

41. Accordingly, the Panel should conclude that the term "national" in Article 3.1 TRIPS Agreement and Article 2.1 Paris Convention does not necessarily include persons who are domiciled or established in a particular WTO Member.

(b) The conditions for applications and objections do not depend on nationality

42. On the basis of this understanding, the EC is of the view that the claims of the complainants raised in respect of Regulation 2081/92 do not involve any difference in treatment on the basis of nationality.

43. As the EC has already set out in its first submission, the parallel procedures for the registration of geographical indications depend exclusively on where the area is located to which the geographical indication is related. The conditions for registration do not therefore depend on nationality.<sup>29</sup> Similarly, the procedures for objecting to the registration of a geographical indication do not distinguish between nationals, but depend on where the objecting person is domiciled or established.<sup>30</sup> The fact that there are different provisions setting out parallel procedures does not entail any discrimination, but simply is necessary to take account of the need to involve the governments of the Member States or of the third country, respectively.

44. The EC notes that in their responses to the Panel, the complainants seem to recognise that Regulation 2081/92 does not contain any distinctions on the basis of nationality. Rather, the complainants seem to be basing themselves on the notion that US and Australian nationals would more "likely" be affected by the alleged violations than EC nationals.<sup>31</sup>

45. First of all, the EC would note that the complainants do not provide any factual basis for these claims. Even though it may be true that persons producing in a specific geographical area may frequently be nationals of the state where the area is located, this is not inevitably so. Indeed, there is no reason why a US or Australian national could not produce products in accordance with the product specifications of an EC GI.

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<sup>27</sup> In this respect, reference can be made to Article 48(1) of the EC Treaty, which provides as follows: "Companies or firms formed in accordance with the law of a Member State and having their registered office, central administration or principal place of business within the Community shall, for the purposes of this Chapter, be treated in the same way as natural persons who are nationals of Member States".

<sup>28</sup> Response of Canada to Panel's Question No. 6 to the third parties, para. 2–5.

<sup>29</sup> EC FWS, para. 123 et seq.

<sup>30</sup> EC FWS, para. 142.

<sup>31</sup> Cf. US Response to Panel's Question No. 27, para. 54–55, where the US refers to the possibility of an EC national being prevented by Regulation 2081/92 from registering a US GI in the EC; Australia's Response to Question 27.

46. Indeed, in the area of wines and spirits, investment by foreign nationals in protected geographic names is a common phenomenon. By way of example, the EC can refer to the story of Jens-Reidar Larsen, a Norwegian national who is the founder of the Larsen Cognac House in Cognac, France (extract from Exhibit EC-36):

The Larsen firm was founded in 1926 by Jens-Reidar Larsen, a young Norwegian, who arrived in Bordeaux in 1919. He settled shortly afterwards in Cognac, charmed by the inimitable atmosphere of the small Charentes town and there, discovered the refinement of its famous eau-de-vie. Having become a fine connoisseur, and driven by an innate business insight, he bought the small firm of Cognac Joseph Gautier. He then launched his own "Larsen" brand which soon prospered on Scandinavian markets, particularly in Norway. Having married a native of Cognac, he had a son who took over the Larsen firm and made the brand prosper around the world.

47. Similar examples of foreign companies, including from the United States or Japan, investing in wine or spirits estates in France, Italy, or German can be seen in Exhibits EC-37 to EC-39.

48. The EC sees no reason why the example of Mr. Larsen could not be followed by a US or Australian national who devotes himself to the making of Roquefort or Stilton cheese, or of other agricultural products and foodstuffs protected under Regulation 2081/92.<sup>32</sup> That such examples may not yet be as common for agricultural products and foodstuffs covered by Regulation 2081/92 as they are for wines and spirits has nothing to do with any restrictions imposed by that Regulation. Rather, it is the result of the fact that wines and spirits are high-value products, which have been traded for a long time, and where international investment accordingly has a long tradition. However, the EC is convinced that with the growing appreciation and knowledge of agricultural products and foodstuffs protected by geographical indications, this may change, and foreign nationals may indeed begin to produce such products in accordance with the product specifications.

49. Moreover, as the EC has already explained in its response to Question 29 of the Panel,<sup>33</sup> the present case is not one which implies a "*de facto*" discrimination between nationals within the meaning of the TRIPS Agreement. As the EC has set out, *de facto* discrimination is a notion which is closely related to preventing circumvention of national treatment obligations.<sup>34</sup> However, the concerns that the complainants have raised, in particular the application procedure, are linked primarily to the origin of the goods. Such issues regarding the treatment of goods are dealt with more appropriately in the context of the GATT, and not of the TRIPS Agreement. Similarly, conditions of residence and requirement are dealt with in Article 2.2 of the Paris Convention, on the basis of which the complainants have made separate claims.

50. For the reasons set out, the claims do not fall under the scope of Article 3.1 TRIPS and 2.1 Paris Convention.

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<sup>32</sup> As a matter of fact, the EC believes that there probably are examples of non-EC nationals who produce products in the EC bearing names protected under Regulation 2081/92. However, since nationality of the producer is not a relevant criterion for protection under Regulation 2081/92, the EC does not have specific information about the nationality of such producers.

<sup>33</sup> EC Response to Panel's Question No. 29, para. 67 et seq.

<sup>34</sup> Cf. EC Response to Panel's Question No. 29, para. 73-74.

**2. Claim 1: Non-EC nationals are accorded less favorable treatment than EC nationals with respect to the registration of geographical indications through the application of a condition of reciprocity and equivalence**

51. The US and Australia have claimed that by subjecting the registration of geographic indications from other WTO members to "conditions of reciprocity and equivalence", Regulation 2081/92 violates the national treatment provisions of Article 3.1 TRIPS and 2.1 Paris Convention.

52. In its submissions to the Panel, the EC has repeatedly confirmed that it does not apply such conditions to other WTO Members.<sup>35</sup> Accordingly, this claim of the complainants is without factual basis. However, the complainants have expressed scepticism about the EC's interpretation.<sup>36</sup> Hereunder, the EC will show that such scepticism is unwarranted.

(a) The complainant's interpretation is incompatible with the plain wording of Regulation 2081/92

53. First of all, the interpretation given by the complainants of Regulation 2081/92 is incompatible with the plain wording of Regulation 2081/92. Article 12(1) of the Regulation states clearly that it applies only "without prejudice to international agreements". Accordingly, the conditions of reciprocity and equivalence set out in Article 12(1) are applied only without prejudice to international agreements.

54. The formula "without prejudice to" is a common occurrence in EC legislation. In a drafting manual for EC legislation, the meaning of the expression "without prejudice to .." is defined as "without affecting ...", "independently of ...", "leaving intact ...".<sup>37</sup>

55. In other words, the effect of such "without prejudice" clauses is to isolate and protect the act or provision to which reference is made from the effect of the act or provision in which the reference is contained. In other words, should a conflict between the two acts or provisions occur, then the act or provision to which the "without prejudice" reference is made prevails.

56. According to the submissions of the complainants, the application of conditions of reciprocity and equivalence to WTO Members conflicts with the national treatment obligations of the TRIPS Agreement and the GATT. However, Article 12(1) precisely prevents such a conflict by stating that it applies "without prejudice" to international agreements.

57. Accordingly, on the basis of the plain wording of the Regulation, the conditions of reciprocity and equivalence do not apply to WTO Members. Rather, as the EC has already explained in its response to Question 7 of the Panel, an application for registration of a geographical indication from a WTO Member may be made directly under Article 12a of Regulation 2081/92.<sup>38</sup>

(b) The without prejudice clause requires that the WTO Agreements be taken into account

58. The EC's interpretation of the plain meaning of Article 12(1) of the Regulation is further confirmed by the legal context of the Regulation in the EC domestic legal order.

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<sup>35</sup> EC FWS, para. 65 et seq, 115 et seq.; EC FOS, para. 42.

<sup>36</sup> US FOS, para. 16; Australia's FOS, para. 19.

<sup>37</sup> Manual of Precedents for Acts Established within the Council of the European Communities, 3<sup>rd</sup> edition, p. 135 (1990) (Exhibit EC-40).

<sup>38</sup> EC Response to Panel's Question No. 7, para. 16-17.

59. As the EC has already explained, an important principle in the jurisprudence of the Court of Justice is that the legal acts of the institutions should be interpreted in line with the international obligations of the European Communities.<sup>39</sup> On this basis, the EC does not see how the European institutions, and in particular the European Court of Justice, could avoid taking into account the EC's obligations under the WTO agreements. The fears and doubts which the complainants have expressed in this context as regards the possible approach that could be taken by the Commission, the Council of Ministers, or the European Court of Justice, are exaggerated and based on an insufficient understanding of the relationship between EC law and WTO law.

60. Quite on the contrary, the EC believes that on the basis of the wording of Regulation 2081/92, there would be a considerable risk of a successful legal challenge if the Community institutions rejected an application for the registration of a geographical indication from another WTO member with the argument that such WTO Member does not fulfil the conditions of Article 12(1) of the Regulation. The wording "without prejudice to international agreements" clearly requires the institutions to take into account and apply international agreements, including the WTO Agreements. In such a situation, the Community institutions would be violating Community law if they applied Regulation 2081/92 in a way that prejudices the WTO Agreements. This is confirmed also by the jurisprudence of the Court of Justice, which has held that where a Community measure is intended to implement a particular obligation, or where the Community measure refers explicitly to the precise provisions of the WTO Agreements, the Court may review the legality of EC measures in the light of WTO obligations.<sup>40</sup> In the case of Article 12(1) of Regulation 2081/92, the measure not only "implements" or refers" to obligations of WTO law, but provides that it shall be "without prejudice". This is a stronger formulation than the one relied on by the Court in previous cases where it reviewed the compatibility of Community measures with WTO law, and therefore requires even more strongly that WTO obligations be taken into account.

61. The plain wording of the Regulation, in particular when interpreted in the light of the principles of interpretation of Community law, clearly confirms the interpretation given by the EC.

(c) It is not uncommon for Community legal acts to apply "without prejudice to international agreements"

62. It may also be useful for the Panel to know that there is nothing unusual about the fact that a Community legal act would apply "without prejudice to international agreements". In fact, analogous provisions can be found in numerous Community legislative acts drawn from various sectors.

63. For instance, Article 22.4 of Regulation 1784/2003 on the common market organisation in cereals provides that it applies "having regard to the obligations arising from agreements concluded in accordance with Article 300 of the Treaty".<sup>41</sup> Similar provisions were introduced into a number of Regulations in the agricultural field by Council Regulation EC 3290/94 of 22 December 1994 on the adjustments and transitional arrangements required in the agricultural sector resulting from the Uruguay Round agreements.<sup>42</sup>

64. Article 4(2) of Regulation 2407/92 on licensing of air carriers provides as follows:<sup>43</sup> "Without prejudice to agreements and conventions to which the Community is a contracting party, the

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<sup>39</sup> Supra para. 18. Cf. also EC Response to Panel's Question No. 15, para. 32 et seq.

<sup>40</sup> Case C-70/87, *Fediol*, [1989] ECR 1781, para. 19–22 (Exhibit EC-41); Case C-69/89, *Nakajima* [1991] ECR I-2069, para. 30–32 (Exhibit EC-42); Case C-93/02 P, *Biret*, Judgment of 30 September 2003, para. 53 (Exhibit US-31).

<sup>41</sup> Exhibit EC-43 (emphasis added).

<sup>42</sup> Exhibit EC-44.

<sup>43</sup> Exhibit EC-45 (emphasis added).



undertaking shall be owned and continue to be owned directly or through majority ownership by Member States and/or nationals of Member States."

65. Article 3 of Council Regulation 1356/96 on transport of persons and goods on Community rivers reads as follows:<sup>44</sup> "This Regulation shall not affect the rights of third-country operators under the Revised Convention for the Navigation of the Rhine (Mannheim Convention), the Convention on Navigation on the Danube (Belgrade Convention) or the rights arising from the European Community's international obligations."

66. Article 12(1) of Directive 2003/86 on the right to family reunification reads as follows:<sup>45</sup> "Without prejudice to international obligations, where family reunification is possible in a third country with which the sponsor and/or family member has special links, Member States may require provision of the evidence referred to in the first subparagraph".

(d) The "without prejudice" clause was not intended to apply only to bilateral agreements, or to agreements which contain "specific rules" on geographical indications

67. In its oral statement, the US has argued that the "without prejudice" clause in Article 12(1) of the Regulation applies only to bilateral, but not to multilateral agreements.<sup>46</sup> In response to the questions of the Panel, the complainants now seem to argue that the "without prejudice" clause covers certain "specific" agreements concerning the protection of geographical indications, but not the obligations under the WTO Agreements.<sup>47</sup>

68. Neither the former nor the latter distinction has any basis in the wording of Article 12(1) of the Regulation. Article 12(1) simply refers to "international agreements". It does not distinguish between bilateral and multilateral agreements. Neither does it distinguish between agreements which lay down "specific rules" for the protection of geographical indications, and others which do not.

69. The EC would note the suggestion that the "without prejudice" clause should only apply to agreements which set out specific rules by "either directly specifying GI protection for specific names or specifying procedures and requirements for protecting GIs from the parties to that agreement" is not consistent with the wording and context of Article 12(1). Whereas it is not excluded that such specific agreements might be covered by the "without prejudice" clause, there is no reason why only such specific agreements should be covered.

70. Similarly, the fact that in the context of the TRIPS Agreement, "there is no specific international registration regime for the Commission to apply", to quote another US argument,<sup>48</sup> does not prevent the application of the "without prejudice" clause to the WTO Agreements. Moreover, the EC does not understand where the US would draw the line between "specific" and "unspecific" agreements. After all, the WTO Agreements, and in particular the TRIPS Agreement, also contain rules concerning the protection of geographical indication. To the extent that they contain rules applicable to geographical indications, the EC does not see why they should not be covered by the "without prejudice" clause.

71. The EC would like to point out that the interpretation made by the complainants would largely deprive the "without prejudice" clause of its useful value. In order to counter this argument, the United States has attempted to give a number of examples of agreements which it believes fall

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<sup>44</sup> Exhibit EC-46# (emphasis added).

<sup>45</sup> Exhibit EC-47 (emphasis added).

<sup>46</sup> US FOS, para. 8.

<sup>47</sup> US Response to Panel's Question No. 5, para. 19; Australian response to Question 6.

<sup>48</sup> US Response to Panel's Question No. 5, para. 29.

under the "without prejudice" clause. However, the United States' examples prove the opposite, since not a single of the agreements to which it refers in fact fall under this clause.

72. As a first example, the United States refers to bilateral agreements in the field of wines.<sup>49</sup> However, it follows clearly from Article 1 (1), second subparagraph, of Regulation 2081/92, that the Regulation does not apply to wine-sector products. Since the Regulation does not apply to wines, bilateral agreements concerning geographical indications for wines are hardly a pertinent example.

73. As a second example, the United States once again refers to the joint declaration to the Agreement on Trade in Agriculture between Switzerland and the EC.<sup>50</sup> Similarly, the US refers to Article 46 (4) of the Cotonou Agreement, according to which the Community and the ACP countries "may consider the conclusion of agreements aimed at protecting trademarks and geographical indications, and to "ongoing negotiations between the EC and China".<sup>51</sup> In all these respects, the EC would simply like to remark that no such agreement has so far been negotiated with any of the parties mentioned. Political statements of intent or interest do not constitute examples of application of the "without prejudice" clause.

74. Finally, the US is also referring to agreements between the EU Member States and third countries as a possible example for the application of the "without prejudice" clause.<sup>52</sup> This is wrong. The reference to "international agreements" in Article 12(1) of the Regulation applies only to international agreements concluded by the Community.

75. This follows simply from the fact that there are no bilateral agreements of Member for the protection of geographical indications which could be covered by the "without prejudice" clause. Agreements concerning the protection of geographical indications fall under the exclusive competence of the EC. The only agreements which may be legally maintained by Member States in this field are such which the Member State concluded before it became an EU member, or before the EC competence became exclusive. However, this situation is explicitly covered by Article 307 of the EC Treaty, which reads as follows:

The rights and obligations arising from agreements concluded before 1 January 1958 or, for acceding States, before the date of their accession, between one or more Member States on the one hand, and one or more third countries on the other, shall not be affected by the provisions of this Treaty.

To the extent that such agreements are not compatible with this Treaty, the Member State or States concerned shall take all appropriate steps to eliminate the incompatibilities established. Member States shall, where necessary, assist each other to this end and shall, where appropriate, adopt a common attitude.

In applying the agreements referred to in the first paragraph, Member States shall take into account the fact that the advantages accorded under this Treaty by each Member State form an integral part of the establishment of the Community and are thereby inseparably linked with the creation of common institutions, the conferring of powers upon them and the granting of the same advantages by all the other Member States.

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<sup>49</sup> US Response to Panel's Question No. 5, para. 20.

<sup>50</sup> US Response to Panel's Question No. 5, para. 22.

<sup>51</sup> US Response to Panel's Question No. 5, para. 25.

<sup>52</sup> US Response to Panel's Question No. 5, para. 24.

76. Since the only possible agreements of Member States which may still remain in force are covered by Article 307 EC Treaty, there is no need to apply the "without prejudice" clause to such agreements. Contrary to the view of the United States, the recent judgment of the European Court of Justice in Case C-216/01, *Budejovicky Budvar*, proves this point. In this case, which concerned an agreement between Austria and Czechoslovakia concluded in 1976, i.e. before either country became a Member of the EU, the Court did not base itself on the "without prejudice" clause, but on Article 307 EC Treaty.<sup>53</sup>

In the light of the foregoing, the answer to the third and fourth questions must be that the first paragraph of Article 307 EC is to be interpreted as permitting a court of a Member State, subject to the findings to be made by that court having regard inter alia to the criteria set out in this judgment, to apply the provisions of bilateral agreements such as those at issue in the main proceedings, concluded between that State and a non-member country and according protection to a name from the non-member country, even where those provisions prove to be contrary to the Treaty rules, on the ground that they concern an obligation resulting from agreements concluded before the date of the accession of the Member State concerned to the European Union. Pending the success of one of the methods referred to in the second paragraph of Article 307 EC in eliminating any incompatibilities between an agreement predating that accession and the Treaty, the first paragraph of that article permits that State to continue to apply such an agreement in so far as it contains obligations which remain binding on that State under international law.

77. Accordingly, one is left with the perplexing result that the US is unable to quote a single example of an agreement to which the "without prejudice" clause would apply, but at the same time denies that it applies to the Agreements to which according to its own submissions it should certainly apply, namely the WTO agreements. This is hardly an interpretation which gives its full useful meaning to the "without prejudice" clause.

(e) The evidence adduced by the complainants is neither pertinent nor conclusive

78. The complainants have alleged that the interpretation made by the EC of Article 12(1) of Regulation 2081/92 in the present proceedings is not in accordance with the interpretation given by the EC previously. In support of this argument, the complainants cite a number of presentations and other documents made by officials of European Institutions.

79. As a general remark, the EC would like to recall that in principle, the content of Regulation 2081/92 must be evaluated on the face of the measure. Of course, it is not excluded to take into account authoritative statements made on behalf of the European Communities as regards the interpretation of Regulation 2081/92. In contrast, statements made by officials of the European institutions in the course of presentations or slide shows cannot be assumed to necessarily reflect the opinion of the European Communities, and to correctly represent the content of Community law.

80. With this caveat, the EC would like to offer the following comments on the "evidence" advanced by the complainants:

81. The US has referred to an EC press release concerning Regulation 2081/92.<sup>54</sup> It is true that this press release did not refer to the "without prejudice language", and the implications it had for WTO countries. However, this was simply due to the fact that this part of Article 12(1) of Regulation 2081/92 had not been amended. It should also be kept in mind that press releases are

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<sup>53</sup> Judgment of 18 November 2003, Case C-216/01, *Budejovicky Budvar*, para. 173 (Exhibit US-36).

<sup>54</sup> US FOS, para. 13; Exhibit US-22.

typically short documents, which are not intended to give a comprehensive explanation of the content of a complex legislative measure.

82. In its oral statement, the US has referred to a slide show given on 10-12 March 2004.<sup>55</sup> Quite apart from the evidentiary value of such a slide show, the EC would remark that this slide show simply seems to contain a literal reproduction of Article 12(1), including the "without prejudice" language. The EC does not see what conclusions the US could draw from this slide show.

83. In its responses to the Panel, Australia has similarly referred to a slide show given in Beirut in March 2003.<sup>56</sup> However, this presentation was made before and clearly directed at a Lebanese public. Since Lebanon is not a WTO Member, the EC does not see what should follow from this presentation for the purposes of the present dispute.

84. In its responses to the Panel, the US has referred to a "communication" which it claims to have received from the EC on January 16, 2003.<sup>57</sup> The corresponding exhibit consists of one single page of text, apparently taken from a longer document, and indicates neither the date, the title, the author nor the addressee of the document. Accordingly, the EC does not consider that this document is attributable to the EC, and will not comment on it any further.

85. In its responses to the Panel's questions, the US has referred to complaints raised on the part of certain US industries regarding the application of Regulation 2081/92.<sup>58</sup> However, these industry statements are based on misperceptions of the content of Regulation 2081/92, and are not pertinent evidence as to its proper interpretation. Moreover, none of the industries concerned in fact seem to have attempted to register a geographical indication under Regulation 2081/92, so that the complaints are largely theoretical. Finally, the EC notes that the concerns expressed on behalf of the Idaho Potato Commission seem to be related, to the extent that the EC understands them, more to the protection of trademarks in the EC than to the registration of geographical indications.<sup>59</sup>

86. Finally, in its responses to the Panel's questions, Australia has also referred to the EC responses to the questions of Australia during the consultations.<sup>60</sup> In this regard, the EC would like to recall that according to Article 4.6 of the DSU, consultations are confidential, and cannot therefore be relied on as evidence in subsequent panel proceedings. Moreover, the EC did not give any answers during the consultations which are inconsistent with its submissions before the Panel.

87. In conclusion, the complainants have not adduced evidence which contradict the interpretation of Regulation 2081/92 set out by the EC in the present proceedings.

(f) The EC is not belated in having corrected the complainants' misunderstanding

88. Finally, Australia has reproached the EC for not having corrected Australia's understanding of Article 12(1) of Regulation 2081/92 at the DSB meetings of 29 August or 2 October 2003, at which the Panel requests were considered.<sup>61</sup>

89. The EC considers this argument to be remarkable. Quite apart from the fact that there is certainly no obligation for a defendant to present its arguments already at the meeting of the DSB, it

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<sup>55</sup> Exhibit US-23.

<sup>56</sup> Australian response to Question 6, and Exhibit 5 thereto.

<sup>57</sup> US Response to Panel's Question No. 12, para. 38, and Exhibit US-40.

<sup>58</sup> US Response to Panel's Question No. 12, para. 36.

<sup>59</sup> Cf. Exhibit US-38, p. 353.

<sup>60</sup> Australia's Response to Panel's Question No. 6.

<sup>61</sup> Australia's Response to Panel's Question No. 6.

should be recalled that the panel requests of both Australia and the United States did not contain any reference to Article 12(1) of the Regulation, nor to "conditions of reciprocity and equivalence". In fact, as the EC stated already at the meeting of the DSB, and as it still believes, the Panel requests did not set out in sufficient detail the claims of the complainants, and did therefore not comply with Article 6.2 DSU. In its response to the EC's request for a preliminary ruling on this issue, Australia argued that Article 6.2 DSU "does not require Australia to set out in its panel establishment request precisely how it believes the EC measure violates fundamental national treatment and most favoured nation principles".<sup>62</sup>

90. The EC finds it hard to believe that Australia would first deliberately withhold its arguments from the EC until its first written submission, and then reproach the EC for not having responded to its arguments already at the meeting of the DSB. It rather appears to the EC that this is a consequence of the deficient drafting of Australia's panel request, for which it cannot blame the EC.

**3. Claim 1bis: Regulation 2081/92 violates the national treatment obligations under the TRIPS Agreement by requiring the existence of inspection structures with respect to the specific product for which protection is requested**

91. In its first written submission, the United States had broadly criticised the EC for applying conditions of "reciprocity and equivalence" to the registration of geographical indications from other WTO Members. As the EC has stated in its first written submission, it was not clear whether the United States also intended to challenge the conditions for the registration of individual geographical indications, and notably the requirement that inspection structures must exist with respect to the product concerned.<sup>63</sup>

92. In its Oral Statement before the Panel, the United States has claimed that the requirement of the existence of inspection procedures amounts to a requirement of "equivalence by another name".<sup>64</sup> Moreover, in its response to Question 58 of the Panel, the United States now claims that the requirement that a Member "have a particular inspection structure [...] is itself inconsistent with WTO obligations".<sup>65</sup>

93. The EC therefore understands that the United States is raising a separate claim as regards the compatibility of the requirement of inspection structures with national treatment obligations.<sup>66</sup> As the EC will show, this claim of the United States is unfounded for the following reasons:

- The requirement of inspection structures represents equal, not unequal treatment;
- The requirement of inspection structures does not require "equivalence by another name";
- Regulation 2081/92 does not impose an "EC model" of inspection structures;
- The existence of inspection structures is necessary for attaining the objectives of Regulation 2081/92.

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<sup>62</sup> Comments of Australia on the EC Request, para. 27.

<sup>63</sup> EC FWS, para. 119.

<sup>64</sup> US FOS, para. 17–21.

<sup>65</sup> US Response to Panel's Question No. 58, para. 85. Cf. also US Response to Question 56, para. 83.

<sup>66</sup> The EC recalls that Australia has not raised such a claim under the national treatment provisions of the TRIPS Agreement or of the GATT, but has made a similar claim under Article 2.2 of the TBT Agreement.

(a) The requirement of inspection structures represents equal, not unequal treatment

94. First of all, since the United States is making its claim under the national treatment provisions of the TRIPS Agreement and the GATT, the EC would like to recall that the requirement of inspection procedures in Regulation 2081/92 does not involve any less favourable treatment of foreign nationals or goods.

95. As the EC has already explained in its first written submission, the requirement of inspection structures does apply to geographical indications from the EC and from third countries alike.<sup>67</sup> Accordingly, it does not involve less favourable treatment of foreign nationals or products, but indeed equal treatment.

(b) The requirement of inspection structures does not require "equivalence by another name"

96. The United States has attempted to cast doubt on this conclusion by arguing that "the EC's requirement that the United States establish EC-style inspection structures to enforce GIs is simply equivalence by another name".<sup>68</sup> Similarly, in its response to the Question 58 of the Panel, the United States has argued that the requirement of inspection structures "is not related to the question of whether the product for which GI protection is sought in the EC qualifies for that protection". The US goes on to add that "the particular method chosen by another WTO Member to enforce GI rules in its territory is not relevant to such a determination".<sup>69</sup>

97. These statements are simply incorrect. As the EC has already set out in its first written submission, as regards applications for registration from other WTO Members, Regulation 2081/92 requires the existence of inspection structures only with respect to the particular product for which protection is sought.<sup>70</sup>

98. Article 12a(2)(b) of the Regulation requires that the application for the registration of a geographical indication from a third country be accompanied by a declaration that the inspection structures provided of in Article 10 of the Regulation are established on its territory. This requirement is part of the application process leading to the registration of the individual geographical indication. It is clear from the provision that this condition is, like those contained in Article 12a(2)(a) and (c), applied on a product-specific basis.

99. Accordingly, the United States' claim that through its requirement of inspection structures, the EC is imposing on other WTO Members "the particular method chosen by them to enforce GI rules in their territory" is without foundation. The EC recognises the freedom granted by Article 1.1 of the TRIPS Agreement to each WTO Member to decide how to implement protection of geographical indications in its legal system.

100. The requirement of inspection structures does not relate to the question of how geographical indications are protected in the United States. It exclusively concerns the question of how a particular geographical indication can be protected in the EC. Accordingly, the United States is wrong to claim that the EC's requirement of inspection structures some constitutes a condition of "equivalence by another name".

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<sup>67</sup> EC FWS, para. 121.

<sup>68</sup> US FOS, para. 21.

<sup>69</sup> US Response to Panel's Question No. 58, para. 85.

<sup>70</sup> EC FWS, para. 118.

(c) Regulation 2081/92 does not impose an "EC model" of inspection structures

101. The United States has referred to "EC-style inspection structures", and has argued that the United States should not be required to adopt "the same inspection structures as are required of Member States".<sup>71</sup> In the same vein, Australia has referred to "the absolute requirement for an EC model 'one size fits all'".<sup>72</sup>

102. These statements have no basis in the text of Regulation 2081/92. Regulation 2081/92 does not prescribe a particular "EC model" of inspection structures. The Regulation merely requires that inspection structures must exist, and in its Article 10 sets out the general principles with which such inspection structures must comply.

103. The EC notes that despite the explicit questions of the Panel, both the United States and Australia have been unable to identify a single element in the requirements of Article 10 of Regulation 2081/92 that would be objectionable.<sup>73</sup> In the view of the EC, this is hardly surprising given the content of Article 10 of the Regulation. In fact, Article 10 is far from establishing any kind of "model" inspection structure. For instance, Article 10 (3) sets out general principles such as that inspection bodies must offer adequate guarantees of objectivity and impartiality, and must have the qualified staff and resources at their disposal to carry out their functions. The EC hardly sees what could be objectionable about these principles. For the rest, as the EC has already explained in its first written submission, Article 10 allows a considerable flexibility in the design of the actual inspection structures.<sup>74</sup> In particular, it leaves the choice between public and private elements in the design of the inspection structures.

104. This considerable flexibility in the design of inspection structures is also illustrated by EC practice in the application of Article 10. For the information of the Panel, the EC attaches a list of inspection structures notified by the EC Member States in accordance with Article 10 (2) of Regulation 2081/92 (Exhibit EC-48). As a cursory examination of this list will show, the practices regarding inspection structures vary considerable from Member State to Member State, and within Member States. First of all, inspection structures are almost evenly divided between public and private bodies. Whereas in some Member States, public bodies are more prevalent, other Member States seem to prefer private bodies, and some use both, depending on national traditions and other considerations.

105. As regards public bodies, there is also considerable variety. Inspection bodies can be situated at national, regional, or even local level. Frequently, they are general public administrations dealing with many public policy issues besides inspections under Regulation 2081/92. In other cases, their only task may be such inspections.

106. The same variety of designs can also be observed in respect of private bodies. Frequently, such private bodies may be commercial enterprises; however, not-for-profit bodies can also be found. Private inspection bodies may engage in a large number of activities besides inspections under Regulation 2081/92; however, in other cases, bodies may be dedicated only to carrying out such activities.

107. As regards commercial enterprises carrying out inspections under Regulation 2081/92, the EC would like to give the example of two firms which are authorised to carry out inspections for a

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<sup>71</sup> US FOS, para. 21; US Response to Panel's Question No. 56, para. 83.

<sup>72</sup> Australia's Response to Panel's Question No. 62.

<sup>73</sup> US Response to Panel's Question No. 58, para. 85; Australia's Responses to Panel's Question No. 58 and to Panel's Question No. 62.

<sup>74</sup> EC FWS, para. 488 et seq.

number of geographical indications under Regulation 2081/92 (Exhibits EC-49 and EC-50). As can be seen from the descriptions attached, both firms engage, besides inspections under Regulation 2081/92, in a vast number of professional activities in the field of agriculture, food, and sanitation, including sanitary inspections, inspections under organic labelling programmes, or food safety inspections of factories, hotels and retail premises. In other words, an inspection structure may also be a service which can be procured commercially. It would appear to the EC that there must be firms which could provide comparable services in the United States or Australia, if it was decided to have recourse to private firms for the purposes of inspections under Regulation 2081/92.

108. Overall, it should have become clear that Article 10 of Regulation 2081/92 in no way imposes an "EC model". On the contrary, there are many different ways to satisfy the requirement of Regulation 2081/92 that an inspection structure must exist.

(d) The existence of inspection structures is necessary for attaining the objectives of Regulation 2081/92

109. Indeed, it seems to the EC that the real concern of the complainants, as expressed in particular by Australia, is not so much the specific "model" of inspection structure which Regulation 2081/92 requires, but rather that no inspection structures should be required at all.<sup>75</sup>

110. However, the existence of inspection structures is inseparably linked with the object and purpose of Regulation 2081/92. Removing the requirement of inspection structures would therefore undermine the system of protection of geographical indications established by Regulation 2081/92.

111. It should be recalled that in accordance with Article 4(1), to be eligible to use a protected geographical indication, an agricultural product or foodstuff must comply with a product specification. For the information of the Panel, and purely for purposes of illustration, the EC attaches to its submission the applications setting out the product specifications for the following products:

- Pruenaux d'Agen (Exhibit EC-51)
- Melons du Haut Poitou (Exhibit EC-52)
- Dorset Blue Cheese (Exhibit EC-53)
- Thüringer Leberwurst (Exhibit EC-54)

112. The product specifications are set out in point 4 of each application. As can be seen from the applications, which are the basis of the registrations, for each product, the specifications contain a detailed description of the raw materials and of the methods and processes according to which the product is obtained. Compliance with these specifications is essential since it is these materials, methods and processes which will confer on the product in question the specific quality, reputation or other characteristics attributable to its geographic origin which justify the protection of the geographical indication.

113. In accordance with Article 10(1) of Regulation 2081/92, it is the function of inspection structures to ensure that agricultural products and foodstuffs bearing a protected name shall meet the requirements laid down in the specifications. The inspection structures are based on continuous control, and may involve on-site inspections at the place of production. In this way, inspection

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<sup>75</sup> In its Response to the Panel's Question No. 62, Australia for instance speculates about the circumstances in which an inspection structure might "not be necessary at all".



structures provide a high degree of assurance that products bearing a protected name do indeed comply with the product specifications.

114. Australia has suggested that the same degree of protection might also be achieved through other systems of protection of geographical indications, and has in particular referred to the application of unfair competition law.<sup>76</sup> Whereas the EC does not contest that unfair competition laws may be one way of protecting geographical indications in accordance with Article 22.2 TRIPS Agreement, the EC does not believe that such laws could provide an equivalent degree of protection of geographical indications to that achieved by Regulation 2081/92.

115. This can be illustrated with the example of a producer of a protected product who wants to defend himself against unfair competition from another producer marking a similar product using the same protected name. Under a system based on unfair competition law, this producer will have to prove in court that his competitor is producing using materials, methods or processes which are not compatible with the use of the protected name, or is not producing in the required geographic area. This in turn may require knowledge about the materials, methods or processes employed by the competitor which may be difficult to ascertain.

116. In contrast, Article 10(4) of Regulation 2081/92 provides that where an inspection body establishes that a product marketed using a protected name does not comply with the product specifications, it shall take the necessary steps to ensure that the specifications are complied with. Accordingly, the producer does not have to investigate the facts himself, and accept the considerable litigation risk in pursuing unfair competitors. Rather, the producer can rely on the controls carried out by the inspection body, and be thereby be assured that any competitor using the name will indeed comply with the specifications. It is clear that in this way, the Regulation provides a higher degree of protection than the simple application of unfair competition laws.

117. The requirement of inspection structures is equally beneficial to consumer. For consumers, it will, at least at the time of purchase, be very difficult to ascertain that product bearing a protected name is indeed complying with the required specifications. The only assurance that a system based on the application of unfair competition laws can provide to the consumer is the possibility that some competitor might (or might not) pursue unfair competitors through the courts. It is clear that this is a far lower degree of assurance than that provided by Regulation 2081/92. This in turn will also affect the value of the geographical indication for producers.

118. Accordingly, if a product from third countries were entitled to benefit from protection under Regulation 2081/92 without having to comply with inspection structures, this would effectively allow third country a free ride on the EC system. Third countries would be able to use the same designation and logo as EC products, and like EC producers would benefit from the possibility of excluding others from the use of the geographical indication in accordance with Article 13 of the Regulation, without however at the same time providing the same assurances as EC geographical indications. This would create two classes of protected geographical indications, and undermine confidence in the protection of geographical indications on the part of both producers and consumers.

119. The EC would like to remark that the US itself has variously recognised the need for inspection structures. The EC has already pointed out that according to the US authorities' opinion, use of certification marks may require some public involvement to insure the proper use of such a mark.<sup>77</sup> Another pertinent example in the present context is the US National Organic Program run by the US Department of Agriculture. The applicable US regulations (Exhibit EC-55) provide that a person wanting to obtain or maintain organic certification must be certified by a "certifying agent", to

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<sup>76</sup> Australia's Response to Panel's Question No. 62.

<sup>77</sup> EC FWS, para. 496.

whom he must submit an annual organic production plan (Exhibit EC-55, §205.400). It is also provided that the certifying agent must conduct an initial on-site inspection, and annual inspections thereafter (Exhibit EC-55, §205.403). The conditions for accreditation of certifying agents are described in the regulations in terms not dissimilar to those of Article 10 of Regulation 2081/92. In particular, it is required that the certifying agent must have sufficient experience, adequately trained personnel, and must prevent conflicts of interest (Exhibit EC-55, § 205.501 [a] [1], [4], and [11]).

120. The EC assumes that the objective of certification and accredited certifying agents under the US Organic Production Program is to prevent that products are marketed as organic which do not comply with the requirements of the program, and in this way to protect the expectations of producers and consumers. These objectives are comparable to those underlying the requirement of inspection structures in Regulation 2081/92. However, if the logic of the complainants were followed, it would appear that the conditions of the US National Organic Program are unnecessary, and unduly trade restrictive, because the application of unfair competition laws should be sufficient to prevent any such abuses. The EC wonders why what is acceptable in the case of the US National Organic Program should not be acceptable in the case of Regulation 2081/92.

121. In conclusion, the requirement of inspection structures is an integral part of the EC's system of protection of geographical indications. With this system, the EC obtains, in full compliance with Article 1.1 TRIPS Agreement, a higher degree of protection of geographical indications than other Members may have chosen to do. The requirement of inspection structures does not involve discrimination between EC and foreign products, let alone nationals. Accordingly, the US claim should be rejected.

**4. Claim 2: Regulation 2081/92 violates the national treatment obligations under the TRIPS and the Paris Convention by requiring that applications must be transmitted by the country in which the geographical area is located**

122. The United States has claimed that Regulation 2081/92 violates the national treatment obligations under the TRIPS and the Paris Convention by requiring that applications must be transmitted by the country in which the geographical area is located. Australia has made no such claim under the TRIPS Agreement, but has raised similar claims under Article III:4 GATT.

123. In the view of the EC, these claims are unfounded. As the EC has already explained in its first written submission, the requirement that applications must be transmitted by the country in which the geographical area is located does not constitute less favourable, but indeed equal treatment.<sup>78</sup> As the EC has also set out in its responses to the questions to the Panel, the cooperation of the country in which the geographical area is located is indispensable for the protection of the geographical indications relating to such an area.<sup>79</sup> Moreover, as the EC has also explained, the role of the third country government corresponds to the cooperation required from Member States in the implementation of Regulation 2081/92.<sup>80</sup>

- (a) The cooperation of the country on whose territory the area is located is indispensable for the implementation of Regulation 2081/92

124. As the EC has already set out in response to the Panel's Question 33, the cooperation of the third country on whose territory the geographical area is located is an indispensable element of the registration process. The EC considers it useful to recall here once again the basic need for cooperation between the home country of the geographical indication and the country of registration.

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<sup>78</sup> EC FWS, para. 87 et seq.

<sup>79</sup> EC Response to Panel's Question No. 33, para. 80 et seq.

<sup>80</sup> EC Response to Panel's Question No. 33, para. 77 et seq.

125. First, the evaluation of whether a name fulfils the conditions for protection as a geographical indication requires familiarity with a host of geographical, natural, climatic and cultural factors specific to the geographical area in question. Moreover, knowledge of the market conditions in the country of origin may also be required, e.g. in order to establish whether the product in question has a particular reputation. Like in the case of applications from Member States, it is the third country's authorities which are best placed to evaluate such factors. In contrast, the European Commission is less likely to be familiar with such factors than in the case of an area in a Member State. Moreover, the evaluation may also require knowledge of the language of the third country in question, which the authorities of the European Community may not have.

126. Second, the evaluation of the application may require the assessment of legal questions arising under the law of the country where the area is located. In particular, Article 12a of the Regulation requires the application to be accompanied by a description of the legal provisions and the usage on the basis of which the geographical indication is protected or established in the third country. This reflects Article 24.9 of the TRIPS Agreement, according to which there shall be no obligation to protect geographical indications which are not or cease to be protected in their country of origin, or which have fallen into disuse in that country. Clearly, the Commission cannot unilaterally resolve such issues pertaining to the law of a third country, which therefore necessarily require the implication of the authorities of the third country.

127. Third, the involvement of the third country government appears called for also out of respect for the sovereignty of the third country. The assessment of whether an application meets the requirements of the Regulation, in particular concerning the link with the geographical area, requires in-depth knowledge of the conditions related to this area, as well as the possibility to verify on the spot the relevant claims made in the application. It would not be possible for the European Commission to carry out such inspections on the territory of the third country without the agreement or involvement of the third country.

128. Fourth, the involvement of the third country government also facilitates the cooperation of the authorities of the Community and of the third country throughout the registration process. If doubts or questions arise during the registration process, the European Commission may need a contact point in the third country to which it can address itself. Moreover, the Regulation foresees that the third country which has transmitted the application must be consulted at certain stages of the procedure before the Commission can take a decision (cf. Articles 12b [1] [b]; 12b [3]).

129. Fifth, the involvement of the third country authorities should also be beneficial to the applicant. Regulation 2081/92 effectively enables the applicant to discuss, prepare, file, and where necessary refine and amend his application directly with the authorities where the geographical area is located. Since these authorities are more familiar with the area in question, this should help speed up the registration process. Moreover, frequently these authorities may be geographically closer to the applicant and may speak the applicant's language, which may also be a further benefit to the applicant.

(b) The requirement that the application be verified by the country on whose territory the area is located is not unreasonable

130. On the basis of the considerations above, it appears indispensable that the country where the geographical area is located be involved in the verification of applications for the protection of geographical indications relating to its territory. Independent of whether the area is located in a third country or a Member State, this involvement is a necessary element of the application process.

131. Contrary to the allegations of the complainants, this has nothing to do with whether the United States and Australia are under an obligation to cooperate with the EC or not. Obviously, the

EC does not pretend that it could impose obligations on the United States or Australia by adopting internal measures. However, the essential point is not that the EC wants to impose obligations on third countries, but rather that it depends on the cooperation of those third countries for the protection of geographical indications related to their territory.

132. It should be noted that this cooperation is partially mandated by the TRIPS Agreement itself. Article 22.1 TRIPS specifically requires that a good using a geographical indication must have a given quality, reputation or other characteristics essentially attributable to its geographical origin. As the EC has already explained, the verification of whether these conditions are fulfilled can be done by no one better than by the country of origin of the indication. Accordingly, the need for cooperation is not created by the EC, but results directly from the definition of a geographical indication in the TRIPS Agreement.

133. Similarly, Article 12a of the Regulation requires the application to be accompanied by a description of the legal provisions and the usage on the basis of which the geographical indication is protected or established in the third country. This directly reflects the provision of Article 24.9 of the TRIPS Agreement, according to which there is no obligation to protect geographical indications which are not protected in their country of origin. Whether this condition is fulfilled clearly depends on legal questions under the law of the country of origin of the geographical indication. It is unreasonable for the complainants to expect that the EC should resolve such questions of US or Australian law.

134. The fact that unlike the EC, the US or Australia do not have a specific registration system for the protection of geographical indications is no counterargument. The EC appreciates that in the absence of such a dedicated registration system, it may be more difficult to determine whether a geographical protection is protected in its country of origin. However, the fact remains that Article 24.9 TRIPS Agreement requires that it must be protected, and that this is a question of US or Australian law. It is simply unreasonable for the complainants to argue that because this may be a difficult question of Australian or US law, the EC should find the answer by itself.

135. As the EC has also shown in its responses to the Panel's Question 37, there are numerous examples in international practice where cooperation between governments is necessary for the protection of private rights and interests.<sup>81</sup> Contrary to the views of the complainants,<sup>82</sup> it is not a decisive difference that these examples are drawn from international agreements. First of all, there is an agreement between the parties, namely the TRIPS Agreement. As the EC has shown, the conditions for applications in Regulation 2081/92 reflect the conditions for the protection of geographical indications in the TRIPS Agreement.

136. Moreover, it is simply a matter of fact that the protection of geographical indications related to the territory of the United States or Australia has a link to those territories, and that therefore the cooperation of those governments is inevitable. In fact, in *US – Gasoline*, the Appellate Body specifically recognised that there may be situations where cooperation between WTO Members as territorial sovereigns is necessary to facilitate trade.<sup>83</sup>

There are, as the Panel Report found, established techniques for checking, verification, assessment and enforcement of data relating to imported goods, techniques which in many contexts are accepted as adequate to permit international trade - trade between territorial sovereigns - to go on and grow. The United States

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<sup>81</sup> EC Response to Panel's Question No. 37, para. 89 et seq.

<sup>82</sup> Cf. US Response to Panel's Question No. 37, para. 69, 72; Australia's Response to Panel's Question No. 37 (referring to the absence of « express consent »).

<sup>83</sup> Appellate Body Report, *US – Gasoline*, p. 26.

must have been aware that for these established techniques and procedures to work, cooperative arrangements with both foreign refiners and the foreign governments concerned would have been necessary and appropriate. At the oral hearing, in the course of responding to an enquiry as to whether the EPA could have adapted, for purposes of establishing individual refinery baselines for foreign refiners, procedures for verification of information found in US antidumping laws, the United States said that "in the absence of refinery cooperation and the possible absence of foreign government cooperation as well", it was unlikely that the EPA auditors would be able to conduct the on-site audit reviews necessary to establish even the overall quality of refineries' 1990 gasoline. From this statement, there arises a strong implication, it appears to the Appellate Body, that the United States had not pursued the possibility of entering into cooperative arrangements with the governments of Venezuela and Brazil or, if it had, not to the point where it encountered governments that were unwilling to cooperate.

137. In the present case, however, it is the complainants who have explicitly declared their unwillingness to cooperate in the protection of their own geographical indications. The EC considers that this is not an admissible way of showing that the EC Regulation constitutes less favourable treatment for US or Australian nationals. To the extent that Regulation 2081/92 requires cooperation from the complainants which is reasonable and necessary, it cannot be held to constitute less favourable treatment for the nationals of these countries.

(c) The requirement that the application be transmitted by the country on whose territory the area is located is not unreasonable

138. Similarly, the requirement that the application must be transmitted by the country on whose territory the area is located cannot be regarded as unreasonable, and does not constitute an extra hurdle constituting discrimination of US or Australian nationals.

139. First of all, the requirement that the application be transmitted by the third country government simply reflects the important role played by such governments in the verification process. It does not appear that for a government that has verified the application conditions, the transmission of the application would constitute a significant extra burden. Moreover, the transmission by the government also ensures that the Commission has a contact point to which it can address any questions it might have regarding the application.

140. In fact, in its response to Question 38 of the Panel, the United States has explicitly recognised that "it would probably not be difficult to designate an office in the US government to perform a purely ministerial act of transmitting registration applications and objections to the EC".<sup>84</sup> The EC agrees with this statement. Accordingly, the EC understands that the United States claim relates essentially to the requirement of cooperation regarding the verification of the conditions for registration, and not to the requirement of transmission by the government.

141. The EC in fact considers that it would be rather odd for the United States or Australia to argue that they are not able to designate an office to transmit an application for registration of a geographical indication. In order to escape the apparent difficulty of this argument, the US is arguing that even if it were willing and able to transmit such applications, other WTO Members might not be similarly willing and able.<sup>85</sup> This argument is unfounded. First of all, the Panel is dealing with a dispute between the US and the EC. The EC does not understand why it should be of concern to the US whether and how other WTO Members cooperate with the EC in the protection of geographical

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<sup>84</sup> US Response to Panel's Question No. 38, para. 74.

<sup>85</sup> US Response to Panel's Question No. 38, para. 74.

indications relating to their territory. Moreover, as the US has said itself, the transmission of an application as a purely ministerial act is not one of particular difficulty. In fact, any WTO Member with a normally functioning government should be able to carry out such an act.

142. Accordingly, the claim that Regulation 2081/92 violates the national treatment obligations under the TRIPS and the Paris Convention by requiring that applications must be transmitted by the country in which the geographical area is located is unfounded.

**5. Claim 3: Non-EC nationals are accorded less favorable treatment than EC nationals with respect to the requirement to indicate the country of origin for homonymous geographical indications**

143. The United States has claimed that the requirement contained in Article 12(2) of Regulation 2081/92 to indicate the country of origin constitutes a violation of national treatment provisions under the TRIPS and the Paris Convention, whereas Australia has made a similar claim only under Article 2.1 TBT Agreement.

144. As the EC has set out in its first written submission, this claim is unfounded.<sup>86</sup> First of all, contrary to the view that the US still seems to maintain,<sup>87</sup> it is clear from the wording of the provision that the second subparagraph of Article 12(2) of Regulation 2081/92 does not apply to all geographical indications, or all foreign geographical indications, but only to the names in the specific situation of the first subparagraph, i.e. homonymous geographical indications from the EC and a third country.

145. Second, as the EC has also explained, Article 12(2) in fact does not only apply to third country names, but also to Community names. It therefore may require the indication of the country of origin for both EC and third country names, depending on which geographical indication has been protected earlier. Accordingly, Article 12(2) of Regulations treats geographical indications from the EC and third countries alike.

146. In its oral statement, Australia has contested the EC's interpretation of Article 12(2) of the Regulation, and has relied in particular on a comparison with Article 6.6 of the Regulation. However, the EC believes that such a comparison in fact shows that the EC's interpretation is correct. Unlike Article 6 (6), the first subparagraph of Article 12(2) of Regulation 2081/92 simply refers to "protected names" from the EC and a third country, without specifying which of these names is the one for which registration is sought, and which is the one which is already protected. Moreover, Article 12(2), second subparagraph, explicitly states that the requirement to indicate the country of origin applies to "such names". The use of the plural in this provision clearly indicates that the requirement can relate both to the EC name and to the third country name.

147. The EC would also remark that its interpretation is the only one which is feasible in the context of the registration system established by Regulation 2081/92. In order to be legally binding, the requirement to indicate the country of origin would normally be included in the product specifications, which, in accordance with Article 4(2)(h) of Regulation 2081/92, also include specific labelling details. However, once a geographical indication is registered, it is not easily possible to amend this registration to impose such labelling details. For this reason, unless registration for two homonymous geographical indications is sought simultaneously, Article 12(2) will inevitably have to apply to the geographical indication which is registered later.

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<sup>86</sup> EC FWS, para. 132 et seq.

<sup>87</sup> US Response to Panel's Question No. 48, para. 80.

148. Finally, it should also be recalled that Community law is to be interpreted to the extent possible in accordance with the Community's international obligations.<sup>88</sup>

149. For all these reasons, the claim should be rejected.

**6. Claim 4: Regulation 2081/92 accords less favourable treatment to non-EC nationals by subjecting the right to object to the registration of geographical indications to conditions of reciprocity and equivalence**

150. The United States and Australia have claimed that only nationals from WTO member countries recognised in accordance with Article 12(3) of Regulation 2081/92 as fulfilling the conditions of reciprocity and equivalence may object to registrations of geographical indications in accordance with Article 12d of the Regulation.

151. As the EC has already set out in its first written submission,<sup>89</sup> and as it has further explained in its responses to the questions of the Panel,<sup>90</sup> the claim is based on a misunderstanding of the Regulation. Article 12d (1) of Regulation 2081/92 gives a right to object to any person that "is from a WTO Member or a third country recognised under the procedure provided for in Article 12(3)". It is clear from this explicit reference to WTO Members that WTO Members are not subject to the procedure of Article 12(3) applicable to other third countries. The same applies also under Article 12.b.2 with respect to objections against the registration of geographical indications from outside the EC.

152. In fact, since the entry into force of Regulation 692/2003, the publications of all applications for registration of a geographical indication specifically refer to the possibility of residents from WTO countries to object to the application. As an example, the EC can refer to the publication of the application for the registration of a geographical indication for "Lardo di Colonnata", which was published in the Official Journal on 6 June 2003. The introductory sentence of this publication reads as follows (Exhibit EC-56; emphasis added):

This publication confers the right to object to the application pursuant to Articles 7 and 12(d) of the abovementioned Regulation. Any objection to this application must be submitted via the competent authority in a Member State, in a WTO member country or in a third country recognised in accordance with Article 12(3) within a time limit of six months from the date of this publication. The arguments for publication are set out below, in particular under 4.6, and are considered to justify the application within the meaning of Regulation (EEC) No 2081/92.

153. The EC notes that the complainants have not submitted any detailed arguments on this point in response to the EC's submission. Accordingly, this claim should be dismissed.

**7. Claim 5: Regulation 2081/92 accords less favourable treatment to non-EC nationals by requiring their own country to transmit the objection**

154. The United States and Australia have claimed that Regulation 2081/92 accords less favourable treatment to non-EC nationals by requiring their own country to transmit the objection. This claim is equally unfounded. As the EC has already explained, this requirement applies equally to persons resident or established in the EC or in third countries. The attempts of the complainants to

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<sup>88</sup> Above Section II.B.

<sup>89</sup> EC FWS, para. 140.

<sup>90</sup> EC Response to Panel's Question No. 8, para. 18, 19.

show that somehow, this requirement constitutes an "extra hurdle" for third country residents amounting to less favourable treatment fail.

- (a) The complainants are not required to verify the admissibility of objections, but merely to transmit the objection

155. In its responses to the questions of the Panel, the United States seems to assume that before transmitting a statement of objection, it must verify that the objection is admissible on the basis of the criteria contained in Article 7(4) of the Regulation.<sup>91</sup> As it has already explained in its responses to the Panel, the EC would like to confirm that this is not so.<sup>92</sup> In fact, the second sentence of Article 12d(2) of Regulation 2081/92 states clearly that the conditions of Article 7(4) must be assessed in relation to the territory of the Community. This is why, unlike in the case of applications for registration, which require an assessment in relation to the territory and law of a third country, the Regulation does not require that these conditions be verified by the third country concerned.

156. This having been said, and as the EC already explained in its responses to the Panel's questions,<sup>93</sup> some degree of involvement of the third country government remains necessary. First, it is necessary to verify whether the person objecting is indeed resident or established in the third country, which is only possible for the authorities of that country. Second, it is not excluded that in the further procedure, questions relating to the territory of the third country might arise, in which case it is useful for there to be an official contact point in the third country. Third, it should also be beneficial to the person making the objection to be able to deal directly with an authority in the country where it is resident or established. Finally, if a statement of objection is admissible, Article 12d(3) provides that the third country which has transmitted the statement of objection is to be consulted before the Commission takes its decision.

- (b) The transmission of objections is not an unreasonable requirement

157. The requirement that statements of objection be transmitted by the country where the objecting person is resident or established does not appear to be an unreasonable condition which could amount to an "extra hurdle" for third country residents.

158. As the United States has itself acknowledged in its response to Question 38 of the Panel, "it would probably not be difficult to designate an office in the US government to perform a purely ministerial act of transmitting registration applications and objections to the EC".<sup>94</sup> If this is not particularly difficult, then the question arises why the United States would refuse to transmit such objections. However, if there is not objective reason for this refusal to cooperate, then the complainants can also not pretend that it is the EC's rules which amount to extra hurdles for their residents. Similarly, as the EC has already explained in response to the United States claim regarding the transmission of applications, the US can not invoke the attitude which other WTO Members might or might not take in respect of the requirements of Regulation 2081/92.<sup>95</sup>

159. Accordingly, this claim should be dismissed.

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<sup>91</sup> US Response to Panel's Question No. 38, para. 75.

<sup>92</sup> EC Response to Panel's Question No. 34, para. 86.

<sup>93</sup> EC Response to Panel's Question No. 34, para. 85 et seq.

<sup>94</sup> US Response to Panel's Question No. 38, para. 74.

<sup>95</sup> Above para. 141.



**8. Claim 6: Regulation 2081/92 accords less favourable treatment to non-EC nationals by requiring non-EC national to have a "legitimate interest" to object to the registration of geographical indications**

160. The United States (but not Australia) has claimed that Article 12d (1) of Regulation 2081/92 accords less favourable treatment to non-EC nationals by requiring non-EC nationals to have a "legitimate interest" to object to the registration of geographical indications.

161. In its first written submission,<sup>96</sup> the EC has shown that there is no substantive difference between the term "legitimate interest" used in Article 12d (1) of Regulation 2081/92 and the term "legitimately concerned" in Article 7 (3). Rather, it results from simple consultation of the New Shorter Oxford English Dictionary that "legitimately concerned" and "legitimately interested" are synonymous expressions.

162. In its Oral Statement, the United States has raised the question why, if the standard is the same, the Regulation uses different words, and has claimed that the EC has "failed to rebut the presumption" that this amounts to less favourable treatment.<sup>97</sup> First of all, the burden of proof for showing that there is a difference in standard is on the US, not on the EC. Second, the fact that words are different does not yet create a presumption that such a difference in wording entails a difference in treatment, let alone less favourable treatment. Third, the EC considers that by referring the US to a standard dictionary of English, according to which "concerned" and "interested" are synonyms, it should have been shown that there is indeed no difference in treatment. As regards finally the question why the same language was not chosen, the EC would remark that WTO dispute settlement is concerned with the enforcement of rights and obligations under the WTO Agreement. Its objective is not to criticise the legal drafting of internal measures of a Member when such drafting question have no impact on the WTO rights of any Member.

163. Accordingly, this claim should also be rejected.

**9. Claim 7: Regulation 2081/92 accords less favourable treatment because a non-EC rightholder has no "representative" in the regulatory committee to "speak for him"**

164. Australia has argued that Regulation 2081/92 accords less favourable treatment because a non-EC rightholder has no "representative" in the regulatory committee to "speak for him".

165. Already in its first written submission, the EC has set out that this claim is patently unfounded.<sup>98</sup> The EC notes that Australia has not so far responded to the EC's arguments.

166. However, at this stage the EC would like to add that this claim is in remarkable contradiction with Australia's claims regarding the requirements of transmission of applications and objections. As the EC has explained, these requirements also permit the Commission to take into account the views of the third country government concerned. Moreover, certain provisions of the Regulation require that the third country government which has transmitted an application or objection must be consulted before the Commission decides on such an application or objection.<sup>99</sup> However, Australia has argued that it does not wish to cooperate at all in the transmission of objections and applications. The EC finds it highly contradictory that Australia should on the one hand refuse any cooperation in the protection of its geographical indications in the EC, and then on the other hand complain that it is not

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<sup>96</sup> EC FWS, para. 78, 150-152.

<sup>97</sup> US FOS, para. 34.

<sup>98</sup> EC FWS, para. 153-155.

<sup>99</sup> Above para. 128, 156.

sufficiently heard and does not have a "representative" on a Committee composed of representatives of the Member States.

167. Accordingly, not only should this claim be dismissed, but it also casts doubt on the consistency of Australia's arguments regarding its role in the protection of the geographical indications related to its territory.

**10. Claim 8: A right of objection was available to persons resident or established in an EC Member State that was not available to other WTO Member nationals in respect of the registration of more than 120 geographical indications under the normal registration process**

168. Australia has claimed that there is a violation of national treatment in the fact that a right of objection was available to persons resident or established in an EC Member State that was not available to other WTO Member nationals in respect of the registration of more than 120 geographical indications under the normal registration process.<sup>100</sup> As the EC has set out already in its first written submission, this historic claim of Australia must fail. First, it relates to a measure which was no longer in force at the time of establishment of the Panel, and which is therefore not within the terms of reference of the Panel. Second, the individual registrations, even if considered to be within the Panel's terms of reference, are not in violation of national treatment obligations.<sup>101</sup>

169. The EC notes that the Panel has posed a number of specific questions regarding Australia's claims relating to past versions of Regulation 2081/92 (Questions 88 and 90 to 93). In the view of the EC, Australia's responses demonstrate that its claims are unfounded.

(a) The legal basis of Australia's claim is unclear, and keeps shifting

170. As a preliminary point, the EC would like to recall that so far, Australia had raised its claims concerning the absence of a right of objection under previous versions of Regulation 2081/92 under the national treatment provisions of the TRIPS Agreement and the Paris Convention.<sup>102</sup>

171. To its astonishment, the EC notes that in its response to the Panel's question 92, Australia alleges that the absence of a right of objection under previous versions of Regulation 2081/92 constitutes a violation not only of national treatment obligations under the TRIPS Agreement and the Paris Convention, but also of Article 16.1 TRIPS, Article 22.2 TRIPS in conjunction with Article 10bis of the Paris Convention, Articles 41.1, 41.2, 41.3, and 42 TRIPS, and Article III:4 GATT.

172. The EC considers that in its responses, Australia is raising new claims, which it did not raise in its first written submission. The EC notes also that Australia does not offer any arguments in support of its claims. The EC considers therefore that the Panel should not consider these claims.

173. In addition, the EC has already explained in its first written submission that *inter partes* procedures such as objection procedures are covered by Article 62.4 TRIPS Agreement, which makes it optional whether to provide for such procedures. Accordingly, there is no obligation on Members to provide for objection procedures.<sup>103</sup> Already for this reason, the claims under Articles 16.1, 22.2, 41.1, 41.2, 41.3 and 42 TRIPS are unfounded. Moreover, as regards the reference to Article III:4 GATT,

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<sup>100</sup> Australia's FWS, para. 184 et seq.

<sup>101</sup> EC FWS, para. 156 et seq.

<sup>102</sup> Australia's FWS, para. 184, para. 190.

<sup>103</sup> EC FWS, para. 327 et seq., para. 357 et seq.

the EC does not see how a provision concerning a right of objection to the registration of a geographical indication is related to the treatment of products.

- (b) Australia's claims regarding old versions of Regulation 2081/92 are outside the terms of reference of the Panel

174. Australia's claim relates to Regulation 2081/92 as in force until 8 April 2003, when Regulation 692/2003 entered into force. In its first written submission, the EC has already pointed out that the terms of reference of the Panel include only measures which were in existence at the time that the Panel was established.<sup>104</sup>

175. In its oral statement, Australia has argued that that the reference in its Panel request to Regulation 2081/92 "and any amendments thereto" should not be read as Regulation 2081/92 "as amended by".<sup>105</sup> It appears from these statements that Australia maintains that any version of Regulation 2081/92 which applied at any point in time, even if no longer in force at the time the Panel was established, is nonetheless within the terms of reference of the Panel. The EC does not understand what could possibly be the justification for such an approach, which condemns Panels to examine historical facts which may have no relevance for current legal dispute. In any case, the EC submits that Australia's interpretation of its Panel request is so unusual that it would have had to make its intention to also attack historical versions of the Regulation much clearer in its Panel request.

176. The EC notes that this also seems to have been the understanding of the Panel. In its preliminary ruling issued on 5 April 2004, the Panel argued that "[t]here is no doubt as to which specific measure is in issue, as the European Communities has itself demonstrated by annexing a consolidated text of the regulation to the request for a preliminary ruling".<sup>106</sup> By referring to "consolidated text", the Panel made it clear that like the EC, it understood Australia's request to refer only to Regulation 2081/92 at the time the Panel was established, and not to older versions no longer in force.

177. The EC notes that Australia does not seem to be entirely sure of its own interpretation. Already in its oral statement, Australia has indicated that "it is not seeking to analyse historical versions of Regulation 2081/92 in a vacuum".<sup>107</sup> In its response to Question 88 of the Panel, Australia indicates that it "seeks rulings and recommendations from the Panel in respect of earlier versions of Regulation 2081/92 to the degree necessary to establish the extent to which the EC's actions in registering those EC-defined GIs were inconsistent with the EC's obligations".<sup>108</sup> The EC considers that these ambiguous submissions of Australia create a total confusion as to whether in Australia's view the measures at issue are also the historical versions of Regulation 2081/92 or not.

178. Overall, the Panel should conclude that the historical versions were not identified in the Panel request, and already for this reason are not within the Panel's terms of reference.

- (c) Australia's claims are moot and therefore not within the terms of reference of the Panel

179. In any event, even if the historical versions had been clearly referred to in the Panel request, it is not up to Australia to enlarge the Panel's terms of reference in a way that runs counter to the object and purpose of the DSU.

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<sup>104</sup> EC FWS, para. 13 et seq., para. 157.

<sup>105</sup> Australia FOS, para. 13.

<sup>106</sup> Preliminary Ruling of 5 April 2004, para. 24.

<sup>107</sup> Australia FOS, para. 14.

<sup>108</sup> Australia's Response to Panel's Question No. 88.

180. As the EC has already recalled in its first written submission, the object and purpose of dispute settlement in accordance with Article 3.3 DSU is the settlement of concrete disputes between the parties, and to induce compliance with WTO obligations.<sup>109</sup> It does not serve as a mechanism for investigating historical violations. This is why according to constant case law under the DSU, Panels are competent to consider measures in force at the time of their establishment, and not measures which have already ceased to exist.<sup>110</sup>

181. This limitation to actual and current disputes is not unique to the DSU, but is in fact a general principle of international dispute settlement. For instance, in the case concerning *Border and Transborder Armed Actions (Nicaragua v. Honduras)*, the International Court of Justice stated that "the critical date for determining the admissibility of an application is the date on which it is filed".<sup>111</sup> Similarly, in the *Nuclear Tests Case*, the International Court of Justice stated that "[t]he Court, as a court of law, is called upon to resolve existing disputes between States."<sup>112</sup>

182. In the case concerning the *Northern Cameroons*, the International Court of Justice specifically refused to rule on a question regarding the interpretation of a trusteeship agreement which had expired after the application was filed, but before the Court rendered its judgment. The Court explained its decision as follows:<sup>113</sup>

Moreover the Court observes that if in a declaratory judgment it expounds a rule of customary law or interprets a treaty which remains in force, its judgment has a continuing applicability. But in this case there is a dispute about the interpretation and application of a treaty – the Trusteeship Agreement – which has now been terminated, is no longer in force, and there can be no opportunity for a future act of interpretation or application of that treaty in accordance with any judgment the Court might render.

183. Interestingly, the International Court of Justice in its judgment explicitly noted that this did not mean that the trusteeship agreement could no longer have any legal effects, for instance as regards property rights which might have been obtained in accordance with the trusteeship agreement.<sup>114</sup>

Looking at the situation brought about by the termination of the Trusteeship Agreement from the point of view of a Member of the United Nations, other than the Administering Authority itself, it is clear that any rights which may have been granted by the Articles of the Trusteeship Agreement to other Members of the United Nations or their nationals came to an end. This is not to say that, for example, property rights which might have been obtained in accordance with certain Articles of the Trusteeship Agreement and which might have vested before the termination of the Agreement, would have been divested by the termination.

184. In the present case, the Australian claims did not become moot during the Panel proceedings; rather, they were already moot when Australia made its Panel request. The fact that Regulation 2081/92 before its amendment through Regulation 692/2003 did not provide for a right of

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<sup>109</sup> EC FWS, para. 19.

<sup>110</sup> EC FWS, para. 16.

<sup>111</sup> *Border and Transborder Armed Actions (Nicaragua v. Honduras)*, Jurisdiction and Admissibility, Judgment of 20 December 1988, I.C.J. Reports 1988, p. 69.

<sup>112</sup> *Nuclear Tests (Australia vs. France)*, Judgment of 20 September 1974, I.C.J. Reports 1974, para. 253 (emphasis added).

<sup>113</sup> *Northern Cameroons (Cameroon v. United Kingdom)*, Preliminary Objections, Judgment of 2 December 1963, I.C.J. Reports 1963, p. 37.

<sup>114</sup> *Northern Cameroons (Cameroon v. United Kingdom)*, Preliminary Objections, Judgment of 2 December 1963, I.C.J. Reports 1963, p. 34.

objection is a fact entirely in the past. As a situation in the past, it is not possible for any dispute settlement procedures to undo this historical fact.

185. For this reason also, the Australian claim is outside the Panel's terms of reference.

(d) Australia has not shown that the individual registrations are in violation of national treatment obligations

186. Presumably aware of these difficulties, Australia has argued that the measure at issue also includes the registrations of the "600 EC-defined GIs" which were carried out until the Panel was established.

187. The EC has already indicated that it does not believe that the individual registrations were identified in sufficient detail in Australia's Panel request.<sup>115</sup> However, even if the Panel, on the basis of its Preliminary Ruling issued on 5 April 2004, should consider that the individual registrations are within the Panel's terms of reference, Australia still fails to make any case that these individual registrations are in violation of the national treatment obligations under the TRIPS Agreement or the Paris Convention.

188. This follows clearly from Australia's response to Question 93 of the Panel, in which Australia concedes that it is "not able to say which individual registrations may have constituted a denial of rights to trademark holders". However, if this is so, then the EC seriously wonders what is the basis of Australia's claim that there is a violation not only of national treatment obligations under the TRIPS Agreement and the Paris Convention, but also of Article 16.1 TRIPS, Article 22.2 TRIPS in conjunction with Article 10bis of the Paris Convention, Articles 41.1, 41.2, 41.3, and 42 TRIPS, and Article III:4 GATT.

189. In the same response, Australia continues with the statement that "nor can the EC legitimately say that its actions have not resulted in a denial of rights". In this respect, the EC would like to recall that the burden of proving its claim is on Australia, not on the EC. In the view of the EC, Australia entirely fails in discharging this burden of proof.

190. Finally, the EC would recall that Australia's claim is based on a violation of national treatment obligations. In this respect, as the EC has already said in its first written submission, even if an individual registration might conceivably violate trademark rights, it is not clear how an individual registration could violate national treatment principles.<sup>116</sup> Australia forgets that the individual registrations and Regulation 2081/92 are separate measures. Therefore, even if an older version of Regulation 2081/92 had contained a violation of national treatment principles by not providing for a right of objection, this does not mean that individual registrations based on such a version also violate national treatment principles.

(e) There is no legal basis for the recommendations suggested by Australia

191. Finally, the EC would also like to comment on the recommendations suggested by Australia.

192. In its response to Question 92 of the Panel, Australia suggests that the EC might implement any recommendation e.g. by providing persons adversely affected with access to a "civil judicial proceeding", through the provision of "just compensation" for trademark owners whose rights have been infringed, or through the revocation of "a few registrations of EC-defined GIs".

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<sup>115</sup> EC Request for a Preliminary Ruling, para. 32.

<sup>116</sup> EC FWS, para. 161.

193. The EC sees no legal basis for these suggestions. According to Article 19.1 of the DSU, a Panel shall recommend to the Member concerned to bring its measure into conformity with its WTO obligations. As the EC has set out in its first written submission, this implies that WTO remedies are prospective, not retrospective.<sup>117</sup>

194. Accordingly, if a Panel had found that Regulation 2081/92 violated national treatment obligations by not providing for objection procedures, the way to implement such a finding for the EC would have been to amend Regulation 2081/92 accordingly. The EC would not have been obliged to reopen the registration procedures for already registered geographical indications, nor would it have been obliged to provide compensation or to cancel such trademarks. Accordingly, the EC cannot be under an obligation to do so now.

195. In its Response to Question 92, Australia has also indicated that it cannot cite any precedents where a Panel has made comparable recommendation because "Australia is not aware of a similar factual situation in another dispute". The EC considers that given over 300 disputes which have been dealt with by the dispute settlement system to date, this by itself is already an indication that Australia's claim is not in line with WTO law and practice.

196. In conclusion, this claim of Australia should be rejected.

**11. Claim 9: A right of objection was available to persons resident or established in an EC Member State that was not available to other WTO Member nationals in respect of the registration of more than 480 EC-defined GIs under the simplified registration process**

197. Finally, Australia also claims that a right of objection was available to persons resident or established in an EC Member State that was not available to other WTO Member nationals in respect of the registration of more than 480 EC-defined GIs under the simplified registration procedure.<sup>118</sup> In this respect, Australia refers to the simplified registration procedure provided for in Article 17 of Regulation 2082/92 until its amendment through Regulation 692/2003.

198. With this claim, Australia is once again trying to obtain a retrospective remedy for a measure which is not within the terms of reference of the Panel, and which it did not challenge while it was still in force. All arguments that have been set out in respect of Claim 8 therefore apply here as well.

199. Moreover, Australia's claim is factually wrong. As the EC has already set out in its first written submission, there was no right of objection for EC residents under the simplified procedure.<sup>119</sup> The fact that there was no right of objection for third-country residents therefore did not constitute a violation of national treatment obligations.

200. Finally, Australia's claim also falls outside the temporal scope of application of the TRIPS Agreement. In accordance with Article 70.1 of the TRIPS Agreement, the Agreement does not give rise to obligations in respect of acts (or omissions) which occurred before the date of application of the Agreement for the Member in question. In accordance with Article 65.1 of the TRIPS Agreement, the date of application for the EC was 1 January 1996.

201. In accordance with Article 17.1 of Regulation 2081/92 as originally adopted, Member States had to inform the Commission of the names for which protection was sought under this provision within six months of the entry into force of the Regulation. Since the Regulation entered, in accordance with its Article 18, into force on 24 July 1993, the Member States had to request

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<sup>117</sup> EC FWS, para. 162 et seq.

<sup>118</sup> Australia's FWS, para. 190 et seq.

<sup>119</sup> EC FWS, para. 91 et seq., para. 172.

protection at the latest by 24 January 1994. If the Community had been obliged to provide objection procedures to the registration of these geographical indications, it is at this date that it should have opened them. However, at this date, the TRIPS Agreement was not yet in force, let alone applicable to the EC.

202. In its response to Question 90 of the Panel, Australia has argued that Article 70.1 TRIPS is inapplicable since the first registration under Regulation 2081/92 did not occur until the adoption of Regulation 1107/96 of 12 June 1996. This argument is erroneous. By the time the registration occurs, objection procedures are no longer meaningful. Accordingly, objection procedures have to be provided before. The natural date for opening these procedures, had there been an obligation to do so, would have been the expiration of the time limit provided for in Article 17.1 of Regulation 2081/92, i.e. at the latest on 24 January 1994. However, at this time, the TRIPS Agreement did not yet apply.

203. For all these reasons, Australia's claims must be rejected.

**B. PROHIBITED REQUIREMENT OF DOMICILE OR ESTABLISHMENT (ARTICLE 2.1 TRIPS IN CONJUNCTION WITH ARTICLE 2.2 PARIS CONVENTION)**

204. The complainants have also raised certain claims under Article 2.1 TRIPS in conjunction with Article 2.2 Paris Convention. As the EC has set out in its first written submission, the complainant's claims under Article 2.2 Paris Convention are not within the Panel's terms of reference.<sup>120</sup> Moreover, the EC has shown in its first written submission that these claims are unfounded.

**1. Claim 10: Regulation 2081/92 requires non-EC nationals to become established in the EC as a condition for registering geographical indications**

205. The United States (but not Australia) has argued that Regulation 2081/92 requires non-EC nationals to become established in the EC as a condition for registering geographical indications.<sup>121</sup> As the EC has set out in its first written submission, this claim is unfounded for the following reasons:

- Geographical indications relating to an area located in a WTO country can be registered under Regulation 2081/92;
- The right to register a geographical indication does not depend on domicile or establishment;
- Article 2.2 Paris Convention does not exclude measures which ensure that a product originates in the geographical to which a protected geographical indication area is related.

206. So far, the United States has not responded in substance to the EC's arguments. Accordingly, the EC can refer to what it has already said in its first written submission.<sup>122</sup>

**2. Claim 11: Regulation 2081/92 requires non-EC nationals to become established in the EC as a condition for objecting**

207. The United States has argued that the fact that Regulation 2081/92 requires the home country of third country nationals to transmit the statement of objection constitutes a requirement of residence or domicile contrary to Article 2.2 of the Paris Convention.<sup>123</sup>

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<sup>120</sup> EC FWS, para. 36 et seq.

<sup>121</sup> US FWS, para. 84.

<sup>122</sup> EC FWS, para. 176 et seq.

208. As the EC has explained in its first written submission, this claim is manifestly unfounded.<sup>124</sup> Article 12d(1) of Regulation 2081/92 explicitly allows persons from other WTO countries who are resident or established in third countries to object to registrations. Accordingly, this claim must be rejected.

### C. NATIONAL TREATMENT UNDER ARTICLE III:4 GATT

209. The complainants have raised a number of claims alleging that Regulation 2081/92 is incompatible with the national treatment obligation contained in Article III:4 GATT. As the EC has already shown in its first written submission,<sup>125</sup> Regulation 2081/92 is fully compatible with Article III:4 GATT. In the alternative, the EC submits that the measure is justified by Article XX(d) GATT.

#### 1. The regulation 2081/92 is not incompatible with Article III:4 GATT

210. So far, the complainants have not specifically responded to the EC's arguments concerning the claims under Article III:4 GATT. Accordingly, the EC can generally refer to what it has said in its first written submission. In addition, it can also refer to its remarks in the present submission regarding the parallel claims made under the national treatment provisions of the TRIPS Agreement.

(a) Claim 12: Regulation 2081/92 accords less favourable treatment as regards the conditions for registration of foreign geographical indications

211. The complainants have claimed that Regulation 2081/92 accords less favourable treatment as regards the conditions for registration of foreign geographical indications by imposing conditions of reciprocity and equivalence.<sup>126</sup>

212. As the EC has already stated in its first written submission,<sup>127</sup> and confirmed in the present submission,<sup>128</sup> Regulation 2081/92 does not impose a condition of reciprocity and equivalence for the registration of geographical indications from other WTO Members. Accordingly, it does not apply less favourable treatment to products from other WTO Members.

213. The claim that Regulation 2081/92 accords less favourable treatments as regards the conditions for registration of foreign geographical indications by imposing conditions of reciprocity and equivalence must therefore be dismissed.

(b) Claim 12bis: Regulation 2081/92 violates the national treatment obligations under the GATT by requiring the existence of inspection structures with respect to the specific product for which protection is requested

214. As the EC has noted above, the US has now clarified that it considers the requirement of inspection structures with respect to specific products for which protection is sought constitutes a

<sup>123</sup> US FWS, para. 91. Australia has raised Article 2.2 Paris Convention in the context of its claims with respect to Regulation 2081/92 as applicable before it was amended by Regulation 692/2003 (Australia's FWS, para. 189, 194), which are in any event outside the Panel's terms of reference.

<sup>124</sup> EC FWS, paras. 188–189.

<sup>125</sup> EC FWS, para. 190 et seq.

<sup>126</sup> US FWS, para. 104; Australia's FWS, para. 165 et seq.

<sup>127</sup> EC FWS, para. 62 et seq., 202 et seq.

<sup>128</sup> Above para. 51 et seq.



violation of national treatment obligations. The EC assumes that the United States is raising this claim also under the national treatment provisions of the GATT.

215. The EC considers that as under the national treatment obligations of the TRIPS, this claim is also unfounded under Article III:4 GATT. In this respect, the EC can refer to its arguments regarding Claim 1bis under the TRIPS Agreement.<sup>129</sup>

216. Accordingly, this claim should also be rejected.

(c) Claim 13: Regulation 2081/92 accords less favourable treatment as regards the requirement that the application must be transmitted by the government of the third country

217. The complainants have argued that Regulation 2081/92 accords less favourable treatment as regards the requirement that the application must be transmitted by the government of the third country.<sup>130</sup>

218. As the EC has already set out above with respect to Claim 2, the role of third country governments provided for in Article 12a of the Regulation corresponds exactly to that of EC Member States where geographical indications relating to an area located in the EC are concerned. Accordingly, the condition that an application relating to an area located in a third country is transmitted by the government in question does not amount to "less favourable treatment", but in fact ensures equal treatment. Moreover, the EC has also explained that the cooperation of the home country of a geographical indication is indispensable for the protection of a geographical indication in the EC.<sup>131</sup>

219. Accordingly, this claim is equally unfounded.

(d) Claim 14: Regulation 2081/92 accords less favourable treatment as regards the requirement to indicate the country of origin

220. The United States (but not Australia) has argued that Regulation 2081/92 accords less favourable treatments as regards the requirement to indicate the country of origin.<sup>132</sup>

221. As the EC has already set out in its first written submission, this claim is unfounded for the following reasons:<sup>133</sup>

- Article 12(2) of Regulation 2081/92 does not apply to all geographical indications, but only to homonyms;
- The requirement to indicate the country of origin for homonymous geographical indications from the EC and third countries does not constitute less favourable treatment;
- Article IX:1 of the GATT is a *lex specialis* to Article III:4 GATT; national treatment obligations therefore do not apply to requirements to mark the country of origin.

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<sup>129</sup> Above, para. 91.

<sup>130</sup> US FWS, para. 104 (d); Australia's FWS, para. 172 et seq.

<sup>131</sup> Above, para. 122.

<sup>132</sup> US FWS, para. 106. Australia has made a similar claim under Article 2.1 of the TBT Agreement (cf. Australia's FWS, para. 234).

<sup>133</sup> EC FWS, para. 209.

222. To the extent that the complainants have responded to the first and second of the EC's arguments, the EC can refer to what it is replied above in respect of claim 3.<sup>134</sup>

223. In response to the EC's third argument relating to Article IX:1 GATT, the United States in its oral statement has argued that Article 12(2) of Regulation 2081/92 "is not a general country of origin requirement as described in Article IX of the GATT 1994".<sup>135</sup> The EC does not consider this objection to be justified. Article IX GATT is entitled "Marks of Origin". Article IX:1 GATT establishes a most-favoured nation rule "with regard to marking requirements". The article contains no distinction between "general requirements", which would apply to all products, and "specific requirements", which would apply only to specific products or groups of products.

224. Accordingly, Article 12(2) of Regulation 2081/92 is an origin marking requirement falling under Article IX:1 GATT. For this reason, national treatment obligations do not apply to this requirement.

225. For all the reasons set out, the EC submits that the United States claim must be rejected.

(e) Claim 15: Regulation 2081/92 accords less favourable treatment due to an overall bias in the decision-making process

226. Australia has argued that Regulation 2081/92 accords less favourable treatment in that there is an overall bias in the decision-making process.<sup>136</sup> As the EC has already set out in its first submission, this claim is confused and insufficiently reasoned.<sup>137</sup> So far, Australia has not further substantiated its claim.<sup>138</sup> Accordingly, the EC sees no need to discuss this claim any further.

227. For these reasons, the Australian claim must be rejected.

## **2. The measure would be justified under Article XX(d) GATT**

228. The EC considers that if the Panel were to find that Regulation 2081/92 does involve less favourable treatment of foreign goods by requiring the existence of inspection structures, the transmission and verification of applications by the third country government, and the indication of the country of origin for homonymous geographical indications, this less favourable treatment would be justified by Article XX(d) GATT.

229. According to Article XX(d) GATT, a measure otherwise incompatible with the GATT will be justified under the following conditions:

Subject 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:

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<sup>134</sup> Above, para. 143.

<sup>135</sup> US FOS, para. 35.

<sup>136</sup> Australia's FWS, para. 177.

<sup>137</sup> EC FWS, para. 219 et seq.

<sup>138</sup> In para. 24 of its FOS, Australia has argued that the EC's description of the decision-making process is "not accurate". The EC does not understand in what respect its description is "not accurate". The EC also does not understand what is the relevance of the discussion of the Community's comitology procedures for the present case.

[...]

(d) necessary to secure compliance with laws or regulations which are not inconsistent with the provisions of this Agreement, including those relating to customs enforcement, the enforcement of monopolies operated under paragraph 4 of Article II and Article XVII, the protection of patents, trade marks and copyrights, and the prevention of deceptive practices;

[...]

230. In *Korea – Various Measures on Beef*, the Appellate Body held that paragraph (d) of Article XX contained the following two requirements.<sup>139</sup>

For a measure, otherwise inconsistent with GATT 1994, to be justified provisionally under paragraph (d) of Article XX, two elements must be shown. First, the measure must be one designed to "secure compliance" with laws or regulations that are not themselves inconsistent with some provision of the GATT 1994. Second, the measure must be "necessary" to secure such compliance. A Member who invokes Article XX(d) as a justification has the burden of demonstrating that these two requirements are met.

231. The Appellate Body continued to define the term "necessary" in Article XX(d) as follows:<sup>140</sup>

We believe that, as used in the context of Article XX(d), the reach of the word "necessary" is not limited to that which is "indispensable" or "of absolute necessity" or "inevitable". Measures which are indispensable or of absolute necessity or inevitable to secure compliance certainly fulfil the requirements of Article XX(d). But other measures, too, may fall within the ambit of this exception. As used in Article XX(d), the term "necessary" refers, in our view, to a range of degrees of necessity. At one end of this continuum lies "necessary" understood as "indispensable"; at the other end, is "necessary" taken to mean as "making a contribution to." We consider that a "necessary" measure is, in this continuum, located significantly closer to the pole of "indispensable" than to the opposite pole of simply "making a contribution to".

(a) The requirement of inspection structures is justified by Article XX(d) GATT (Claim 12bis)

232. The EC has already explained above that the requirement of inspection structures is necessary for the attainment of the objectives of Regulation 2081/92.<sup>141</sup> In particular, the EC has explained that the requirement of inspection structures provides a high degree of assurance for producers and consumers that a product bearing a protected name does in fact correspond to the required product specifications.

233. Moreover, the EC has shown that a similar degree of protection could not be achieved through other means. In particular, the EC has explained that the application of unfair competition law would not result in the same degree of protection of geographical indications.<sup>142</sup> Moreover, the EC has also explained that the requirement of inspection structures does not go beyond what is necessary for

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<sup>139</sup> Appellate Body Report, *Korea – Various Measures on Beef*, para. 157.

<sup>140</sup> Appellate Body Report, *Korea – Various Measures on Beef*, para. 161.

<sup>141</sup> Above, para. 109 et seq.

<sup>142</sup> Above, para. 114 et seq.

the attainment of the objectives of the Regulation, and in particular leaves considerable flexibility in terms of the design of the concrete structures.<sup>143</sup>

234. Accordingly, the requirement of inspection structures is necessary to secure compliance with Regulation 2081/92, which is a measure not incompatible with the provisions of the GATT. In this context, the EC notes that the protection of intellectual property rights and the prevention of deceptive practices is an objective explicitly referred to in Article XX(d) GATT.

235. Moreover, the requirement of inspection structures is not applied in a manner which would constitute a means of arbitrary or unjustifiable discrimination between countries where the same conditions prevail. Similarly, it is not a disguised restriction on international trade.

236. Accordingly, the requirement of inspection structures is in any event justified under Article XX(d) GATT.

(b) The requirement that the application must be verified and transmitted by the government where the area is located is justified by Article XX(d) GATT (Claim 13)

237. As the EC has already set out above, the cooperation of the government of the country where the geographical indication is located is indispensable for the implementation of Regulation 2081/92.<sup>144</sup> The EC has explained, in particular, that the registration of geographical indications requires the evaluation of factual and legal questions which only the home country of the geographical indication is in a position to carry out. Moreover, the EC has also explained that the requirements for cooperation do not go beyond what is necessary for the implementation of Regulation 2081/92.<sup>145</sup> As regards specifically the requirement that the application be transmitted by the government of the home country, the EC has explained that this follows naturally from the required intergovernmental cooperation, and is not particularly burdensome for any WTO Member.<sup>146</sup>

238. Accordingly, the requirement of verification and transmission of applications by the government of the home country of the geographical indication is necessary to secure compliance with Regulation 2081/92, which is a measure not incompatible with the provisions of the GATT. Moreover, the requirement of verification and transmission of applications by the government of the home country of the geographical indication is not applied in a manner which would constitute a means of arbitrary or unjustifiable discrimination between countries where the same conditions prevail. Similarly, it is not a disguised restriction on international trade.

239. Accordingly, the requirement of verification and transmission of applications by the government of the home country of the geographical indication is in any event justified under Article XX(d) GATT.

(c) The requirement to indicate the country of origin for homonymous geographical indications is justified by Article XX(d) GATT (Claim 14)

240. Finally, the EC has already indicated that the requirement to indicate the country of origin for homonymous geographical indications serves the purpose of achieving a clear distinction in practice between homonymous geographical indications.<sup>147</sup> In this way, it prevents that consumers are confused by homonymous geographical indications. As the EC has also explained, Article 12(2)

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<sup>143</sup> Above, para. 101 et seq.

<sup>144</sup> Above para. 124 et seq.

<sup>145</sup> Above para. 130 et seq.

<sup>146</sup> Above para. 138 et seq.

<sup>147</sup> EC FWS, para. 479.

achieves this in the least intrusive way by requiring that the indication which is registered later, and which is therefore typically the one less known to the consumer, be the one for which it is required to indicate the country of origin.<sup>148</sup>

241. Accordingly, the requirement to indicate the country of origin for homonymous geographical indications is necessary to secure compliance with Regulation 2081/92, which is a measure not incompatible with the provisions of the GATT. Moreover, the requirement to indicate the country of origin for homonymous geographical indications is not applied in a manner which would constitute a means of arbitrary or unjustifiable discrimination between countries where the same conditions prevail. Similarly, it is not a disguised restriction on international trade.

242. Accordingly, the requirement to indicate the country of origin for homonymous geographical indications is in any event justified under Article XX(d) GATT.

#### **IV. REGULATION 2081/92 IS COMPATIBLE WITH THE OBLIGATION TO PROVIDE MOST-FAVOURLED-NATION TREATMENT**

243. The United States (but not Australia) has claimed that Regulation 2081/92 is incompatible with the obligation to provide most-favoured-nation treatment under Article 4 TRIPS and Article I:1 GATT. As it has done in its first written submission, the EC will discuss the United States claims under both provisions separately.

##### **A. ARTICLE 4 TRIPS**

244. The United States has made two claims under the most-favoured-nation provision of Article 4 TRIPS:

- As among non-EC WTO Members, nationals from WTO Members that satisfy the EC's conditions of reciprocity and equivalency are accorded more favourable treatment than nationals from those WTO Members that do not;
- under Regulation 2081/92, an EC Member State grants more favourable treatment to nationals from other EC Member States than it accords to nationals from non-EC WTO Members.

##### **1. Claim 16: As among non-EC WTO Members, nationals from WTO Members that satisfy the EC's conditions of reciprocity and equivalency are accorded more favourable treatment than nationals from those WTO Members that do not**

245. The United States has claimed that nationals from WTO Members that satisfy the EC's conditions of reciprocity and equivalency are accorded more favourable treatment than nationals from those WTO Members that do not.

246. In its first written submission, the EC has explained that this claim is unfounded for the following reasons:<sup>149</sup>

- the EC does not apply a condition of reciprocity and equivalence for the registration of geographical indications from other WTO members;

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<sup>148</sup> Above para. 143.

<sup>149</sup> EC FWS, para. 228 et seq.

- the conditions for the registration of individual geographical indications from third countries are not discriminatory;
- Article 12 of Regulation 2081/92 does not grant any advantage, favour, privilege or immunity to any other country;
- the conditions for the registration of geographical indications do not depend on nationality.

247. The EC notes that the United States has made almost no arguments in defence of this claim. Accordingly, the EC can largely refer to what is already set out in its first written submission.

248. The EC notes, however, that the United States claim appears to be parallel to its Claim 1, according to which the EC violates its national treatment obligations under the TRIPS Agreement by applying "conditions of reciprocity and equivalence" to other WTO Members.<sup>150</sup> As the EC has already explained in detail in response to Claim 1, it does not apply such conditions to other WTO Members.<sup>151</sup> Accordingly, the United States claim must fail already for this reason.

249. In its oral statement, the United States has also claimed that there is a violation of most-favoured nation treatment because Regulation 2081/92 favours nationals of countries "that have an EC-style GI protection system, including inspection structures".<sup>152</sup> The EC would like to underline that this is wrong. As the EC has already explained in response to Claim 1bis, as regards geographical indications from WTO Members, the requirement of inspection structures is evaluated with respect to the specific product for which protection is sought.<sup>153</sup> Accordingly, Regulation 2081/92 does not impose a requirement that a "WTO Member" must have particular inspection structures. Rather, the requirement of inspection structures applies purely on a product-specific basis, and without regard to the country of origin of the product. As the Panel in *Canada – Autos* has said, such non-discriminatory conditions are not a violation of most-favoured nation treatment.<sup>154</sup>

250. Finally, the United States has claimed that Regulation 2081/92 involves the granting of an advantage within the meaning of Article 4 TRIPS because Articles 12 (1) and 12a are "designed" to favour national from countries that have an EC-style protection system.<sup>155</sup> Even if the United States' interpretation of these provisions were correct, which it is not, then the Regulation 2081/92 would not involve the granting of an advantage to any specific country. Rather, as the EC has already explained,<sup>156</sup> Article 12 merely sets out the conditions under which the Regulation may apply to a third country which is not a WTO Member. Accordingly, in the absence of a decision under Article 12(3) of the Regulation, Article 12 does therefore not confer any advantage onto any specific third country.

251. For all the reasons set out, the United States claim must be rejected.

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<sup>150</sup> Above para. 51.

<sup>151</sup> Above para. 51.

<sup>152</sup> US FOS, para. 36 (emphasis added).

<sup>153</sup> Above, para. 96.

<sup>154</sup> Panel Report, *Canada – Autos*, para. 10.24 (full quotation in EC FWS, para. 237).

<sup>155</sup> US FOS, para. 36.

<sup>156</sup> EC FWS, para. 239 et seq.

**2. Claim 17: Under Regulation 2081/92, an EC Member State grants more favourable treatment to nationals from other EC Member States than it accords to nationals from non-EC WTO Members**

252. The United States has claimed that under Regulation 2081/92, an EC Member State grants more favourable treatment to nationals from other EC Member States than it accords to nationals from non-EC WTO Members.<sup>157</sup>

253. In its first written submission, the EC has already explained that this claim is fundamentally flawed.<sup>158</sup> The EC is an original member of the WTO. Measures with which the EC harmonises the law inside the EC are not measures through which the Member States grant "each other" advantages. That Regulation 2081/92 is a measure of the Community, and not of the Member States, is also reflected in the fact that the United States has correctly brought the present dispute against the EC, and not against its Member States. Accordingly, the EC does not comprehend why, in the context of this dispute with the EC concerning an EC measure, the United States is now alleging a violation of WTO obligations by the EC Member States.

254. So far, the United States has not been able to provide an explanation for its claim. In its Oral Statement, the US has merely argued that each Member State is under the obligation to provide MFN, and argued "that the fact that they may be acting pursuant to an EC regulation does not excuse them from this obligation".

255. The EC does not understand what the United States means when it says that Member States are "acting pursuant to an EC Regulation". Undoubtedly, the Member States have certain responsibilities in the implementation and execution of Regulation 2081/92. However, the EC does not see that these functions give rise to any particular MFN violation, nor has the United States identified any such violations.

256. As regards the real concern of the United States, namely the alleged application of conditions of reciprocity and equivalence and the requirement of inspection structures, these result –supposing that the erroneous interpretations of the United States of Regulation 2081/92 were correct - not from any actions of the Member States, but from the text of EC Regulation 2081/92. Accordingly, the claim that Member States are granting each other advantages, or granting other third countries advantages, is devoid of all foundation.

257. Accordingly, this claim of the United States must be rejected.

**B. CLAIM 18: BY SUBJECTING THE REGISTRATION OF THIRD-COUNTRY GEOGRAPHICAL INDICATIONS TO CONDITIONS OF RECIPROCITY AND EQUIVALENCE, THE EC MEASURE IS INCONSISTENT WITH THE MOST-FAVOURLED-NATION OBLIGATION UNDER THE ARTICLE I:1 GATT**

258. The United States has argued that by subjecting the registration of third-country geographical indications to conditions of reciprocity and equivalence, the EC measure is inconsistent with the most-favoured-nation obligation under Article I:1 GATT.<sup>159</sup>

**1. Article I:1 GATT is not violated**

259. Contrary to the claim of the United States, there is no violation of Article I:1 GATT.

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<sup>157</sup> US FWS, para. 121.

<sup>158</sup> EC FWS, para. 249 et seq.

<sup>159</sup> US FWS para. 127 et seq.

260. Since the United States has so far not made any specific arguments in response to the EC's first written submission, the EC can refer to what it has said in its first written submission.<sup>160</sup>

261. The EC can also refer to its arguments in response to Claim 16, concerning a violation of national treatment principles under the TRIPS Agreement,<sup>161</sup> which apply also in the present context. In particular, the EC would like to point out once more that the requirement of inspection structures applies on a product-specific basis, and does in no way involve discrimination on the basis of the origin of the product.

262. For these reasons, Regulation 2081/92 is not incompatible with Article I:1 GATT.

## **2. The EC measure would be justified under Article XX(d) GATT**

263. For the sake of completeness, the EC would like to remark that should the Panel nonetheless come to the conclusion that the requirement of inspection structures somehow involves discrimination between third countries, the EC would consider that this requirement is justified under Article XX(d) GATT.

264. In relation to the claims regarding a violation of Article III:4 GATT, the EC has already explained that the requirement of inspection structures is necessary for the attainment of the legitimate objectives of Regulation 2081/92.<sup>162</sup> These considerations apply not only to the claim under Article III:4 GATT, but also to the claim under Article I:1 GATT.

265. Accordingly, the requirement of inspection structures is in any event justified by Article XX(d) GATT.

## **V. REGULATION 2081/92 DOES NOT DIMINISH THE LEGAL PROTECTION OF TRADEMARKS**

### **A. ARTICLE 16.1 OF THE TRIPS AGREEMENT**

#### **1. Claim 19: Article 14(2) of Regulation 2081/92 is inconsistent with Article 16.1 of the TRIPS Agreement in that it allows the co-existence of geographical indications and earlier registered trademarks**

##### **(a) Article 14(3) of Regulation 2081/92**

266. The United States, but not Australia, addressed the EC's arguments based on Article 14(3) of Regulation 2081/92 in its First Oral Statement. The EC has provided a comprehensive response to the US counter-arguments as part of its replies to the Panel's questions Nos. 63 to 71, to which the Panel is referred. In this section the EC will elaborate on those replies and provide comments on the responses given by the United States to the Panel's Questions Nos. 14 and 67.

##### *(i) Registrability of geographical names as trademarks*

267. In its First Written Submission, the EC explained that geographical terms are primarily "non-distinctive" and, for that reason, their registration as trademarks is permitted only exceptionally.<sup>163</sup>

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<sup>160</sup> EC FWS, para. 258 et seq.

<sup>161</sup> Above para. 245.

<sup>162</sup> Above para. 232.

<sup>163</sup> EC FWS paras. 278-285.



More specifically, the EC explained that, under the Trademark Directive and the Community Trademark Regulation, as interpreted by the European Court of Justice, the registration of a geographical term is permitted only in the following circumstances:<sup>164</sup>

- where the geographical name is not currently associated, and it can be reasonably assumed that it will not be associated in the future, with the product concerned; or
- where the name has acquired distinctiveness through use.

268. The United States does not dispute this. Yet it suggests that, in practice, the registration as trademarks of geographical terms which qualify, or may potentially qualify, as geographical indications is a frequent occurrence. As discussed below, however, the United States provides no evidence of this, other than a few hypothetical examples.

269. In addition, the United States seeks to misrepresent the EC position by attributing to the EC arguments which the EC has not made. Thus, the EC has not argued that the criteria for the registrability of trademarks are sufficient in themselves to prevent the registration of later confusing geographical indications. In particular, the EC has never said that "valid registered trademarks cannot incorporate certain geographical elements."<sup>165</sup> Indeed, if so, it would have been unnecessary to include Article 14(3) in Regulation 2081/92. Nor is it the EC's position that the violation of Article 16.1 of the TRIPS claimed by the complainants should be tolerated because "the number of specific rights affected is small".<sup>166</sup> The EC is not seeking to "minimize the violation of Article 16.1".<sup>167</sup>

270. To be clear, the EC's position is that there is no violation of Article 16.1, even on the complainants' interpretation of that provision. First, the criteria for the registrability of trademarks limit *a priori* the possibility of conflicts between geographical indications and earlier trademarks. Second, to the extent that any such conflict arises, Article 14(3) of Regulation 2081/92 provides the necessary means to trademark owners in order to prevent or invalidate the registration of *any* confusing geographical indications. Finally, the provisions of Regulation 2081/92, together with other provisions of EC law and the unfair competition laws of the Member States, provide the necessary means to ensure that, in practice, registered geographical indications are not misused so as to create confusion.

(ii) *Standard of evidence for establishing the meaning of Article 14(3)*

271. The United States argues that the EC has made an improper application of the "mandatory/discretionary analysis".<sup>168</sup> This criticism is misplaced because the EC is not relying on that distinction. The EC is not arguing that Article 14(3) complies with Article 16.1 of the TRIPS Agreement because it gives "discretion" to the EC authorities in order to decide whether or not to refuse the registration of a confusing geographical indication. Article 14(3) is a "mandatory" provision in the sense that it imposes an unqualified obligation upon the EC authorities to refuse any proposed geographical indication that gives rise to the situation described in that provision.

272. The EC's statement quoted by the United States does not relate to the distinction between "mandatory" and "discretionary" legislation, but instead to the issue of what is the appropriate standard of evidence in order to establish the meaning of Article 14(3).

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<sup>164</sup> Ibid., para. 284.

<sup>165</sup> US FOS, para. 50.

<sup>166</sup> Ibid., para. 49.

<sup>167</sup> US Response to Panel's Question No. 67.

<sup>168</sup> US Response to Panel's Question No. 14.

273. The complainants' claim is premised on a certain reading of Article 14(3), which is contested by the EC. The interpretation of Article 14(3) is a matter of EC law and must be treated as a factual issue by the Panel. The complainants bear the burden of proving that Article 14(3) has the meaning which they have asserted in this dispute. In order to do so, it is not enough for them to show that their reading of Article 14(3) is a reasonable interpretation of that provision. As explained above, the EC's own views on the meaning of Article 14(3) must be given "considerable deference". For that reason, the complainants must show not only that their interpretation is reasonable but, in addition, that the EC's interpretation of Article 14(3) is not a reasonable one.

274. Furthermore, Article 14(3) must be interpreted in accordance with the relevant rules of interpretation of EC law. This means, in particular, that, in accordance with well-established case law of the European Court of Justice, the complainants must prove that it is impossible to interpret Article 14(3) in a manner that is consistent with the EC's obligations under Article 16.1 of the TRIPS Agreement, as the complainants understand such obligations.

275. Unless the complainants can show that their reading of Article 14(3) is, on the basis of the terms of that provision, the only reasonable interpretation, they would have to prove that, as a matter of fact, Article 14(3) is being applied in practice by the EC authorities in accordance with the complainants' interpretation of that provision, as demonstrated, for example, by the decisions of the EC authorities that apply Article 14(3) or by a consistent pattern of registration of confusing geographical indications.

276. As discussed below, the complainants have failed to show that their interpretation of Article 14(3) is the only reasonable interpretation of that provision. And they have not even attempted to prove that their reading of Article 14(3) is, in practice, the interpretation effectively applied by the EC authorities. Therefore, the Panel should conclude that this claim is unfounded, as a matter of fact, even on the complainants' own interpretation of Article 16.1 of the TRIPS.

(iii) *The Complainants have misinterpreted Article 14(3)*

277. Far from being the only reasonable interpretation of the terms of Article 14(3), the complainants' reading of that provision is unsupported by the ordinary meaning of its terms. Furthermore, the complainants' interpretation is neither workable nor reasonable in practice and cannot be reconciled with the obligations imposed upon the EC authorities by other provisions of Regulation 2081/92.

278. The complainants' claim is based on the false premise that Article 14(3) applies only to a special sub-category of trademarks, namely those which have been used "for a long time" and which, in addition, are famous. Thus, for example, the United States argues that Article 14(3) "only comes into play where there exists a trademark with reputation, renown and history of use".<sup>169</sup> But this is not what Article 14(3) says.

279. The length of use and reputation/renown of the trademark are not separate "requirements"<sup>170</sup> for the application of Article 14(3), distinct from, and additional to the likelihood of confusion. Rather, they are criteria for assessing the existence of a likelihood of confusion. From the fact that the EC Commission must consider those two criteria in order to establish the existence of a likelihood of confusion, it does not follow *a contrario* that any other criteria must be deemed irrelevant for that purpose.

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<sup>169</sup> US FOS, para. 52.

<sup>170</sup> US FOS, para. 53.

280. As explained<sup>171</sup>, Article 14(3) directs expressly the registering authority to consider the length of use and the reputation and renown of earlier trademarks because those criteria will generally be decisive in order to establish the likelihood of confusion, given that geographical names are primarily non-distinctive when used as trademarks.

281. If Article 14(3) does not mention expressly the similarity of goods and signs, it is simply because those criteria are always relevant for a determination of likelihood of confusion. The likelihood of confusion between two signs cannot be meaningfully established by considering only the length of use and the reputation/renown of one of them. The analysis must take into account necessarily the similarity of the goods and signs concerned, which must therefore be deemed implicit in Article 14(3). As shown by the EC, an interpretation of Article 14(3) which prevented the registering authority from considering the similarity of goods and signs would be neither reasonable, nor workable, and cannot be correct.<sup>172</sup>

282. Moreover, the interpretation of Article 14(3) made by the complainants would lead to a result which is incompatible with the terms of Articles 7(4) and 7(5)(b) of Regulation 2081/92.

283. Article 7(4) provides that a statement of objection shall be admissible, *inter alia*, if it shows that "the registration of the name proposed would jeopardize the existence of a mark".<sup>173</sup> This language encompasses *any* instance of likelihood of confusion between the proposed geographical indication and *any* earlier trademark. If Article 14(3) required the refusal of a proposed geographical indication only where it gives rise to a likelihood of confusion with a trademark which is famous and which has been used for a long time, as claimed by the complainants, the admissible grounds of objection would have been limited to the cases where one such trademark is likely to be jeopardized. Article 7(4), however, refers to all trademarks, without any distinction or qualification. It would be pointless to admit an objection on certain grounds if, in any event, it were not possible to reject the application on such grounds.

284. Consistent with Article 7(4), Article 7(5)(b) provides that where an objection is admissible, the Commission shall take a decision in accordance with the procedure laid down in Article 15, having regard to traditional fair practice and likelihood of confusion.<sup>174</sup>

285. Thus, Article 7(5)(b) requires the Commission to adopt a decision having regard to the "likelihood of confusion" between the proposed geographical indication and *any* trademark, and not just with those trademarks which are famous and which have been used for a long time.

(iv) *There is no evidence that Article 14(3) has been applied in accordance with the complainants' interpretation*

286. Since the complainants have failed to show that their reading of the terms of Article 14(3) is the only reasonable interpretation of that provision, they should prove that, *de facto*, Article 14(3) is being applied by the EC authorities in accordance with that interpretation. The complainants have not even attempted to do so.

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<sup>171</sup> EC FWS, paras. 278-291.

<sup>172</sup> EC Response to Panel's Question No. 68.

<sup>173</sup> Articles 12b(3) and 12d(2) provide, respectively, that the criteria of Article 7(4) shall apply also with respect to the admissibility of objections to the registration of foreign geographical indications and of objections from outside the EC to EC geographical indications.

<sup>174</sup> Similar language is found in Articles 12b (3) and 12d(3) with regard to the registration of geographical indications from other WTO Members and third countries and to the registration of EC geographical indications, following an objection from outside the EC, respectively.

287. Article 14(3) of Regulation 2081/92 has been applied only once by the EC institutions, in a case where it was alleged that the proposed geographical indication "Bayerisches Bier" was likely to be confused with the existing trademarks "Bavaria" and "Hoker Bajer".<sup>175</sup> The interpretation of Article 14(3) made in that case is consistent with the interpretation put forward by the EC in this dispute. The EC Council concluded that there was no likelihood of confusion with the trademarks in question "in view of the facts and information available". There is no suggestion in the Council decision that this conclusion was reached because the trademarks concerned were not famous enough or had not been used for a sufficiently long time.

288. The United States now suggests that the Council decision to register the geographical indication "Bayerisches Bier" was flawed because that term is likely to be confused with the trademarks at issue when used in translation.<sup>176</sup> This criticism is unfounded because the registration covers only the term "Bayerisches Bier" and not its translations to other languages. Moreover, even if the decision in the "Bayerisches Bier" case had been based on an erroneous factual assessment, that would not contradict the EC's interpretation of Article 14(3).<sup>177</sup>

289. In response to a question from the Panel<sup>178</sup>, neither the complaining parties nor any of the third parties have been able to identify even one single geographical indication, of the more than 600 registered under Regulation 2081/92, which gives rise to a likelihood of confusion with an earlier trademark.

290. Instead, the United States refers to purely hypothetical examples, which have no probative value whatsoever with respect to the actual interpretation of Article 14(3) made by the EC authorities.<sup>179</sup>

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<sup>175</sup> Council Regulation (EC) 1347/2001, of 28 June 2001 (Exhibit EC-9).

<sup>176</sup> US Response to Panel's Question No. 44.

<sup>177</sup> Furthermore, the US suggestion that *any* possible use of the term "Bayerisches Bier" would create *per se* a likelihood of confusion with the trademarks "Bavaria" and "Bajer Hoker" is difficult to reconcile with the US position, as the EC understands it, that the use of geographical indications for wines recognised in the United States such as "Rutherford" or "Santa Rita Hills" does not lead *per se* to a likelihood of confusion with virtually identical earlier trademarks such as "Rutherford Vintners" or "Santa Rita", respectively, but needs to be examined on case-by-case basis with respect to particular uses. See US Response to EC's Question No. 3.

<sup>178</sup> Panel's Question No. 47 to Australia and the United States and Panel's Question No. 9 to third parties.

<sup>179</sup> The examples cited by the United States are:

1) the hypothetical conflict between the hypothetical trademark "Luna" for cheese and the hypothetical geographical indication "Luna" for a hypothetical cheese produced in a hypothetical Spanish small town called "Luna". (US FOS, para. 50). There is no town in Spain, or in any other Spanish speaking country, whether big or small, called "Luna". For Spanish speakers, "Luna" is the name of the only satellite of the planet Earth, which is as an unlikely place for producing cheese as the planet "Mars" for producing chocolate bars. In view of that, EC trademark officials would be likely to register "Luna" as a purely fanciful name. But, for the same reason, it is unlikely that such trademark would enter into conflict with a subsequent geographical indication.

2) the hypothetical conflict between the trademark "Faro" for coffee and tea and a hypothetical geographical indication "Faro" for the hypothetical coffee and tea grown in the Portuguese town of Faro. (US Response to Panel's Question No. 47). To the best of the EC's knowledge, no tea or coffee has ever been grown in Faro. Indeed, it is doubtful that either coffee or tea can be grown commercially in Faro, given the prevailing climatic conditions. Therefore, the town of Faro is unlikely to be associated by consumers with those products. Even if, as an effect of global warming, coffee and tea became one day a speciality of the town of Faro, the registration of the hypothetical geographical indication would still have to be refused if it led to confusion with the earlier trademark "Faro" in accordance with Article 14(3).

291. The United States also refers to a case pending before the Swedish courts, where a US company claims that the use by Czech producers of beer of the names "Budweiser Budwar", "Budweis" and "Budbräu" infringe its trademarks for the names "Budweiser", "Bud" and "Budweiser King of Beers".<sup>180</sup>

292. The EC understands that the United States is not raising a claim concerning the registration of the geographical indications Budejovické pivo, Ceskobudejovické pivo and Budejovický mešt'anský var" at this stage of the proceedings. Were the United States to raise that claim, the EC would object that the claim is clearly outside the terms of reference of the Panel, given that the process of ratification of the Treaty of Accession providing for the registration of those names had not been completed yet at the time of establishment of this Panel.<sup>181</sup>

293. In any event, the EC recalls that the registration under Regulation 2081/92 only covers the terms Budejovické pivo, Ceskobudejovické pivo and Budejovický mešt'anský and not any alleged translations of those terms to other languages. The EC understands that the United States is not suggesting that the use of those names is *per se* likely to result in a likelihood of confusion with the above mentioned trademarks of the US producer concerned.

(v) *Article 14(3) confers enforceable rights to the trademark owners*

294. The United States argues that, even if the EC's reading of Article 14(3) were correct, that provision "merely authorizes the EC to decline registration of a GI"<sup>182</sup>, but does not accord rights to the trademark owners.

295. The United States is wrong again. The EC authorities are required, and not simply authorized, to refuse the registration of a geographical indication. Article 14(3) provides that the registration "shall not be registered" and, therefore, leaves no margin of discretion to the Commission in order to register the proposed geographical indication where the conditions set out in Article 14(3) are met.

296. Furthermore, Article 14(3) confers judicially enforceable rights to the owners of trademarks. If a trademark owner considers that the EC authorities have registered a geographical indication in violation of Article 14(3) it is entitled to challenge the validity of such registration before the courts, including in the framework of the infringement proceedings brought against the user of the geographical indication under the Community Trademark Regulation or the trademark law of the Member States.

297. The United States argues that some geographical indications have been registered in accordance with special procedures that do not provide for a right of objection, such as the so-called "fast track" procedure provided in the former Article 17 of Regulation 2081/92.<sup>183</sup> As explained by the EC<sup>184</sup>, however, neither Article 16.1 nor Article 22.2 of the TRIPS Agreement requires to grant a right of objection with respect to the registration of geographical indications. All that is required by the TRIPS Agreement is that the final registration decision be subject to judicial review.<sup>185</sup> Trademark

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<sup>180</sup> US Response to Panel's Question 47.

<sup>181</sup> EC FWS, paras. 21-25.

<sup>182</sup> US FOS, para. 54. See also US Responses to Panel's Questions Nos. 14 (at para. 41) and 67 (at para. 87).

<sup>183</sup> US Response to Questions No. 6 (at para. 68) and 67 (at para. 87).

<sup>184</sup> EC FWS, paras. 327-333 and para. 427.

<sup>185</sup> Cf. Article 62.5 of the TRIPS Agreement.

owners have a right to challenge the validity of the registrations under Regulation 2081/92 also in those cases where no right of objection has been provided as part of the registration procedure.<sup>186</sup>

(vi) *EC law provides means to prevent confusing uses of a registered geographical indication*

298. The United States goes on to argue that, even if Article 14(3) prevents the registration of confusing geographical indications, it does not provide means to prevent that a registered geographical indication will be used subsequently in a confusing manner. Specifically, the United States has argued that<sup>187</sup>

...even if Article 14(3) accorded rights to trademark owners rather than just authority to the EC, the trademark owner would not necessarily be able to tell, at the time of registration of the GI, whether the use of the GI will be confusing. For example, a registered GI may unexpectedly be used in translation, or in a manner that emphasizes certain aspects or letters of the geographical name, in a way that causes a likelihood of confusion with respect to a registered trademark.

299. These concerns are largely theoretical and, in any event, unfounded.

300. First, the product specifications to be submitted with the application for registration must include "the specific labelling details" relating to the geographical indication.<sup>188</sup> Those specifications may be subject to objections in accordance with Article 7(4) and are taken into account for the purposes of the determination required by Article 14(3) and of the final decision provided in Article 7(5)(b). Any change of the labelling specifications must be approved by the EC authorities.<sup>189</sup> Failure to comply with the specifications may lead to the cancellation of the registration.<sup>190</sup>

301. Second, the right holders of a geographical indication have a positive right to use the name registered as a geographical indication. But that right does not extend to other names or signs which have been not been registered. If the use of such unregistered names or signs leads to a likelihood of confusion with the same or a similar sign which is the subject of a valid trademark, it can be challenged judicially by the trademark owner under the Community Trademark Regulation or the trademark laws of the Member States, as applicable.

302. Third, in so far as a right holder of a registered geographical indication were to present the registered name in a mutilated or deformed manner so as to imitate an earlier trademark, which is what the United States appears to be suggesting, a court would be entitled to find, depending on the

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<sup>186</sup> The EC notes that, unlike Australia, the United States did not claim in its First Written Submission that the lack of an adequate right of objection with respect to the registration of a geographical indication under Regulation 2081/92 is inconsistent with Article 16.1 of the TRIPS Agreement. It is unclear to the EC whether the United States is raising this claim at this stage.

In any event, the EC would note that, under US law, trademark owners do not seem to have a right to challenge *ex post* before the courts the validity of the recognition of a geographical indication for wines on the grounds that it infringes their trademark rights, let alone a right to object in advance to such recognition. See *Sociedad Anonima Viña Santa Rita v. US Dept. of the Treasury*, 193 F. Supp. 2d 6 (D.D.C 2001) ("The Court finds that an entity with a non-geographic interest in a particular name is not empowered, under the Lanham Act, to contest the ATF's recognition of a distinct geographic region that bears that name".) (Exhibit US-48, at. p. 13). In view of this, the United States can hardly complain about the fact that trademark owners have not been recognised a right of objection with respect to the registration of some geographical indications under Regulation 2081/92.

<sup>187</sup> US FOS, para. 54

<sup>188</sup> Cf. Article 4(2)(h) of Regulation 2081/92.

<sup>189</sup> Cf. Article 9 of Regulation 2081/92.

<sup>190</sup> Cf. Articles 11(4) and 11a of Regulation 2081/92.

specific circumstances of each case, that the "used sign" is different from the "registered sign" and, therefore, not protected under Regulation 2081/92.

303. Furthermore, while the right holders of a geographical indication have a positive right to use the registered name, this does not mean that they are allowed to use it in any conceivable manner. As explained<sup>191</sup>, the use of a name registered as a geographical indication is subject to the applicable provisions of

- Directive 2000/13 on the labelling, presentation and advertising of foodstuffs<sup>192</sup>, and in particular Article 2(1)(a), which provides that

the labelling and methods used must not be such as could mislead to the purchaser to a material degree, particularly:

(i) as to the characteristics of the product and, in particular, as to ... its origin or provenance

[...]

For the purposes of this Directive, "labelling" is defined as:

any words, particulars, trade marks, brand name, pictorial matter or symbol relating to a foodstuff and placed on any packaging, document, notice, label, ring or collar accompanying or referring to such foodstuff.

Article 2(1)(a) also applies to:

(a) the presentation of foodstuffs, in particular their shape, appearance or packaging, the packaging materials used, the way in which they are arranged and the setting in which they are displayed;

(b) advertising.<sup>193</sup>

- Directive 84/450 on misleading advertising<sup>194</sup>, which is defined as:

any advertising which in any way, including presentation, deceives or is likely to deceive the person to whom it is addressed or whom it reaches and which, by reason of its deceptive nature, is likely to affect their economic behaviour or which, for those reasons, injures or is likely to injure a competitor.<sup>195</sup>

- the unfair competition laws of the Member States.<sup>196</sup>

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<sup>191</sup> EC's First Submission, para. 319. See also the responses of the EC and its Member States to the review under Article 24.2 of the TRIPS Agreement contained in document IP/C/W/117/Add.10 (Exhibit EC-29).

<sup>192</sup> Exhibit EC-30.

<sup>193</sup> Article 2(3).

<sup>194</sup> Exhibit EC-31.

<sup>195</sup> Article 2(2).

<sup>196</sup> References to the relevant laws of the Member States are found in their responses to the review under Article 24.2 of the TRIPS Agreement. (Exhibit EC-32).

(b) Article 24.5 of the TRIPS Agreement

304. The EC has addressed the arguments made by the United States with respect to Article 24.5 in its First Oral Statement as part of the EC's responses to the Panel's Questions Nos. 76 and 77, to which the Panel is referred. Here below, the EC will provide its comments with respect to some issues raised by the complainants' responses to the Panel's Questions Nos. 75 to 79.

(i) *Relationship between Section 3 of Part II and Article 16.1*

305. In response to the Panel's Question No.79, both Australia and the United States argue that there is no "conflict" between Articles 16.1 and 22.3 because Members may, in accordance with Article 15.2, refuse or invalidate the registration of any trademark that would be misleading as to the place of origin of the goods and in practice most Members do so. This is, of course, correct and has never been disputed by the EC.

306. It remains, however, that, as matter of law, neither Article 15.2 nor any other provision of Section 2 of Part II requires Members to refuse or invalidate the trademarks that are misleading as to the place of origin of the goods. Such obligation arises exclusively from Article 22.3. This shows that, contrary to what is suggested by the complainants, the provisions of Section 3 of Part II do impose restrictions on the protection of trademarks, and not just on the protection of geographical indications, and, therefore, that Section 2 of Part III cannot be applied without having regard to Section 3.

307. That Section 3 limits the protection of trademarks is made even clearer by Article 23.2, which requires Members to refuse or invalidate trademarks for wines and spirits which could, and in practice would, have been validly registered in most Members before the entry into force of the WTO Agreement. As a result, both Australia and the United States, like many other Members, had to amend their trademark laws in order to implement Article 23.2.

308. While, for the reasons explained, there is no "conflict" between Articles 16.1 and 22.3, there is a potential "conflict" between Article 16.1 and Article 22.2(a), which requires Members to provide legal means for interested parties to prevent

the use of any means in the designation or presentation of a good that indicates or suggests that the good in question originates in a geographical area other than the true place of origin in a manner which misleads the public as to the geographical origin of the goods.

309. The "means" referred to in Article 22.2(a) may include the use of a geographical indication as a trademark, whether registered or established through use. Thus, Article 22.2 confers to the right holders of a geographical indication the right to prevent the use of any trademark which misleads the public as to the origin of the goods. This right may conflict with the right of the owner of a trademark under Article 16.1 to prevent the use of any sign that results in a likelihood of confusion with its trademark. The simultaneous exercise of both rights would lead to a situation where neither the trademark owner nor the right holders of the geographical indication could use the sign in question. A similar conflict may arise between Articles 16.1 and 23.1.

310. The above described conflict between Articles 16.1, on the one hand, and Article 22.2 and 23.1, on the other hand, was resolved by the drafters of the TRIPS Agreement through the application of the rules contained in Articles 22.3, 23.2 and 24.5, which together define the boundary between the protection that Members must or may provide to trademarks under Section 2 of Part III and the protection which Members must or may provide to geographical indications under Section 3 of Part III.



311. In response to the Panel's Question No. 75, the United States makes the unsupported assertion that<sup>197</sup>

the EC is arguing that Article 24.5 is an affirmative defence to the US claims that the GI Regulation is inconsistent with the EC's obligations under Article 16.1 of the TRIPS Agreement (that is that Article 24.5 is an exception to Article 16.1).

312. This is a gross misrepresentation of the EC's position. The EC has never argued that Article 24.5 is an "exception" to Article 16.1, let alone an "affirmative defence".

313. Although Article 24.5 is part of Article 24, which is entitled "International Negotiations: Exceptions", it is not an exception in the same sense as, for example, Article XX of the GATT.<sup>198</sup> The Appellate Body has cautioned against characterizing a measure as an exception simply because it is referred as such in the agreement. This caution applies *a fortiori* in the present case, given that the term "exception" is not used in the text of Article 24.5 itself, or in another provision that refers specifically to Article 24.5, but only in the title of Article 24, an article consisting of many distinct and heterogeneous provisions, not all of which can be considered as "exceptions" or concerned with "international negotiations". For example, Article 24.3 is clearly not an exception. To the contrary, it imposes additional obligations upon Members.

314. Unlike paragraphs 6 to 9 of Article 24, Article 24.5 does not provide an exemption from an obligation, of which Members may or may not avail themselves. Instead, Article 24.5 places a limit on the measures that Members must or may take in order to protect geographical indications when implementing Section 3 of Part II. As explained, by doing so, Article 24.5 defines the boundary between the protection of trademarks and the protection of geographical indications. The EC has submitted that the protection provided to geographical indications under Article 14(2) of Regulation 2081/92 is within the limits defined in Article 24.5. It is for the United States and Australia, as the complaining parties, to show that, in fact, such protection goes beyond those limits and is inconsistent with Article 16.1.

315. The US position that Article 24.5 is an "exception" to the obligations provided in Section 3 of Part II, which, therefore, cannot affect the scope of the obligations imposed by Article 16.1 is contradicted by the fact that Article 24.5 confers to the owners of trademarks established by use rights which they do not have under Article 16.1. The last sentence of Article 16.1 reserves "the possibility of Members making trademark rights available on the basis of use", but it does not require them to do so. Members are free to decide whether or not to grant such rights and, if so, to limit or withdraw them at will. Yet, one of the consequences of Article 24.5 is that, in implementing protection for geographical indications, Members must not prejudice "the right to use" a grandfathered trademark acquired through use. Thus, Article 24.5 imposes upon Members an obligation with respect to the protection of trademarks which they do not have under Article 16.1.

(ii) *The meaning of "the right to use a trademark"*

316. In response to the Panel's Questions Nos. 76 and 77, Australia and the United States have provided different and contradictory interpretations of the phrase "the right to use a trademark".

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<sup>197</sup> US Response to Question No. 75, para. 91.

<sup>198</sup> See Appellate Body Report, *EC – Hormones*, para. 104, where the Appellate Body held that the burden of proof with respect to Article 3.3 of the *SPS Agreement* was on the complaining party, even though that provision was described as an exception in Article 3.1. See also Appellate Body Report, *EC – Sardines*, para. 275, where the Appellate Body ruled that the last part of Article 2.4 of the *TBT Agreement* was not an affirmative defence even though it is introduced by the term "except".

317. Australia says that the phrase "the right to use a trademark" applies only to the trademarks acquired through use and not to registered trademarks. Australia does not say whether "the right to use a trademark" includes also the right to prevent others from using the trademark, as claimed by the United States. Instead, Australia suggests the Panel need not reach that question.

318. Australia's reading of the phrase "the right to use a trademark" raises obvious problems. First, it cannot be reconciled with the ordinary meaning of the term "trademark", which includes all trademarks, whether registered or acquired through use. Moreover, as used throughout the TRIPS Agreement, the term "trademark" includes both types of trademarks (for example, in the title of Section 2 of Part III). When the drafters intended to distinguish between registered trademarks and trademarks acquired through use they did so expressly, like in Article 16.1 or in Article 21.<sup>199</sup>

319. In its First Written Submission, Australia suggested that the phrase "the right to use a trademark" is linked to the reference made in the chapeau of Article 24.5 to the situation where "rights to a trademark have been acquired through use". But, as already noted in the EC's First Written Submission, in that case it would have been more logical to say in the chapeau that implementation "shall not prejudice ... the rights to a trademark acquired through use". Australia's argument confuses the mode of acquisition of the trademark with one of the basic rights attached to any trademark, whether registered or established by use.

320. Furthermore, by arguing that the phrase "the right to use a trademark" refers exclusively to the trademarks acquired through use, and not contesting that such phrase does not include the right to prevent others from using the trademark, Australia appears to be conceding that Article 24.5 provides for the co-existence of geographical indications with earlier trademark acquired through use. Australia does not explain why co-existence should be allowed in that case, but not with respect to registered trademarks, given that Article 16.1 reserves the right of Members to grant trademark rights, including exclusive rights, on the basis of use.

321. For its part, the United States, following a contorted reasoning, concludes that the phrase "the right to use a trademark" has simultaneously three different meanings:

- first, it would be a reference to the trademarks whose rights are acquired through use;<sup>200</sup>
- second, it means the "the right to use *per se*" the trademark;<sup>201</sup>
- third, it would mean also "the right to exclude others from using similar signs".<sup>202</sup>

322. The EC has already commented upon the first meaning and agrees with the second meaning.

323. The view that the phrase "the right to use a trademark" includes the right to exclude others from using the trademark cannot be reconciled with the meaning of that phrase in ordinary language or in the particular context of intellectual property law.

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<sup>199</sup> Contradicting Australia's position, the United States says that (Response to Question No. 76, para. 105):

"the right to use a trademark" is not specifically linked in the text to trademarks whose rights are acquired through use (although it would appear to include such trademarks).

<sup>200</sup> US Response to the Panel's Question No. 76, para. 103.

<sup>201</sup> US Response to the Panel's Question No. 77, para. 106.

<sup>202</sup> US Response to the Panel's Question No. 76, para. 103.

324. For example, WIPO's Trademark Manual says that the "the registered owner has the exclusive right to use the trademark", which encompasses two things: "the right to use the trademark" and "the right to exclude others from using the mark".<sup>203</sup>

325. Similarly, to mention but another example, Section 20 of Australia's Trade Marks Act 1995 (which is entitled "Rights given by registration of trade mark") provides in relevant part that

(1) If a trade mark is registered, the registered owner of the trademark has, subject to this Part, the *exclusive* rights:

(a) to use the trade mark;

(b) to authorise other persons to use the trade mark;

(2) The registered owner of trade mark has *also* the right to obtain relief under this Act if the trade mark has been infringed.

[...]<sup>204</sup>

326. By implication, Australia's Trade Marks Act 1995 recognises that the right to use a trademark is not necessarily "exclusive" and that "the right to use a trademark" is different from the right to prevent others from infringing the trademark.<sup>205</sup>

327. The United States itself refers to what it calls "the right to use *per se*"<sup>206</sup>, thus acknowledging implicitly that, in its ordinary meaning, the phrase "the right to use a trademark" does not include the right to exclude others from using the trademark. In spite of this, the United States seeks to stretch the meaning of the phrase "the right to use the trade mark" by resorting to an interpretation based on the "purpose" of a trademark.<sup>207</sup> It is beyond dispute that, as argued by the United States, the purpose of a trademark is to distinguish the goods from a certain source and that, in order to achieve that purpose, the right to use a trademark *should* be exclusive. But from this it does not follow logically that "the right to use a trademark" is inherently exclusive. In practice, the right to use a trademark is not always exclusive. Indeed, if the "right to use a trademark" were inherently exclusive, it would have been superfluous to provide in Article 16.1 that the owners of registered trademarks shall have exclusive rights. Also, on the US interpretation, any rights granted to the owners of unregistered trademarks on the basis of use would have to be exclusive. While this may be generally the case, there is no obligation under the TRIPS Agreement to do so.

328. As suggested by the Panel's Question No. 77, if the drafters had intended to preserve the right of the trademark owners to exclude all others, including the right holders of a protected geographical indication, from using the trademark, they would have used express language to that effect, such as "shall not prejudice ... the exclusive right to use the trademark" or "the rights conferred to the trademark owners under Article 16.1" The explanations given by the United States in its response to this question are unconvincing:

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<sup>203</sup> WIPO, "Introduction to Trademark Law & Practice, The Basic Concepts, A WIPO Training Manual", Geneva 1993, pp. 51–52 (Exhibit EC-57).

<sup>204</sup> Exhibit EC -58. [Emphasis added].

<sup>205</sup> The term "exclusive right to use a trademark" is used also in the US Lanham Act. See e.g. Section 1115, which is entitled "Registration on principal register as evidence of exclusive right to use a mark; defenses). (Exhibit EC-6).

<sup>206</sup> US Response to the Panel's Question No. 77, para. 106.

<sup>207</sup> US Response to the Panel's Question No. 76, para. 102.

- the United States says that reference to "exclusive right to use" would have been "confusing"<sup>208</sup>, because the "specific exclusive right in Article 16.1 is the right to exclude, not the right to use *per se*."<sup>209</sup> As shown above, however, the phrase "exclusive right to use" is of common usage in the intellectual property law field, including in the trademark laws of both Australia and the United States. Moreover, the right to exclude all others from using the trademarks is but the corollary of the exclusivity of the owner's right to use it. There is no contradiction or confusion.
- the United States also says that a reference to "the rights conferred under Article 16.1" would have been "confusing" because Article 16.1 describes three sets of rights.<sup>210</sup> Yet, the US position, as the EC understands it, is that Article 24.5 leaves unaffected each of those three sets of rights. Thus, the suggested formula would have described accurately the result sought by the United States.

329. Australia has suggested that the Panel need not concern itself with the meaning of "the right to use a trademark".<sup>211</sup> The EC disagrees. And apparently so does the United States. The two phrases need to be interpreted together because they are part of the same obligation and impart meaning to each other.

330. If the phrase "right to use the trademark" means what it says, rather than the "right- to-use-a-trademark-and-in-addition-to-exclude-all-others-from-using-it", as argued by the United States, it would confirm the EC's reading of the phrase "the validity of the registration". If the drafters deemed necessary to specify that the implementation of protection for geographical indications shall not prejudice one of the two basic rights of the owner of a registered trademark (the right to use it), but not the other (the right to exclude others from using it), the clear implication is that they did not intend to prevent Members from limiting the latter right in order to allow the use of a geographical indication in co-existence with a grandfathered trademark. Hence the US insistence that the phrase the "right to use a trademark" includes also the right to exclude others. Because Australia, apparently, does not share this interpretation, it is forced to argue instead that the phrase "the right to use a trademark" does not apply at all to registered trademarks and need not be considered by the Panel.

(c) Article 24.3 of the TRIPS Agreement

331. The EC has argued that, regardless of whether the co-existence of geographical indications and earlier trademarks is permitted by Article 24.5, it is required to maintain such co-existence by virtue of the stand-still provision contained in Article 24.3.<sup>212</sup>

332. Australia has not responded to this argument. The United States addressed it in its Oral Statement.<sup>213</sup> The EC has responded comprehensively to the US arguments in its reply to the Panel's Question No. 74, to which the Panel is referred.

(d) Article 17 of the TRIPS Agreement

333. The EC has argued in the alternative that, even if Regulation 2081/92 were found to be *prima facie* inconsistent with Article 16.1 of the TRIPS Agreement in that it allows the co-existence of a

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<sup>208</sup> US Response to the Panel's Question No. 77, para. 106.

<sup>209</sup> Ibid.

<sup>210</sup> Ibid.

<sup>211</sup> Australia's Response to the Panel's Question No. 77.

<sup>212</sup> EC FWS, paras. 312-314.

<sup>213</sup> US FOS, paras. 69-73.

registered geographical indication with an earlier trademark, such co-existence would be justified under Article 17 of the TRIPS Agreement.<sup>214</sup>

334. Australia has not addressed this defence. Here below, the EC will respond to the counter-arguments made by the United States in its Oral Statement<sup>215</sup> and in response to the Panel's Question No. 75.

(i) *The scope of the exception is "limited"*

335. The United States contends that Regulation 2081/92 does not provide a "limited exception" because its scope is too broad.<sup>216</sup>

Further, with respect to the scope of the so-called "exception", the GI Regulation entirely eliminates the trademark holder's right to prevent confusing uses by all others, which is the core of its legitimate interest.

336. This is plainly wrong as a matter of fact. Regulation 2081/92 does not "eliminate the trademark holder's right to prevent confusing uses by *all* others". Article 14(2) of Regulation 2081/92 allows the concurrent use as a geographical indication of a name registered as a trademark only in relation to products which originate in the area designated by the registered geographical indication and which, in addition, comply with all the relevant product specifications and other requirements for using the registered geographical indication. The trademark owner retains the exclusive right to prevent the confusing use of that name by *any* person in relation to *any* products which do not qualify for the use of the registered geographical indication.

337. Moreover, Article 14(3) of Regulation 2081/92 restricts even further the scope of the exception. Even if the complainants' interpretation of Article 14(3) were correct and that provision did not prevent the registration of all confusing geographical indications, it would nonetheless prevent the registration of confusing geographical indications in those instances where the likelihood of confusion is greater, because the trademarks are particularly distinctive, and may cause a greater prejudice to the trademark owners, because of the reputation and renown of the trademark.<sup>217</sup>

338. Article 17 mentions expressly as an example of limited exception "the fair use of descriptive terms". The notion of "descriptive terms" includes *inter alia* any term used to indicate the place of origin of a product.<sup>218</sup> In other words, it includes any term used as an "indication of source" in the

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<sup>214</sup> EC FWS, paras. 315-319.

<sup>215</sup> US FOS, paras. 74-75.

<sup>216</sup> US FOS, para. 75.

<sup>217</sup> This may be contrasted with the situation under US law, where the risk of likelihood with an existing trademark is *never* considered a relevant ground for not recognising a geographical indication for wines. See *Sociedad Anonima Viña Santa Rita v. US Dept. of the Treasury*, 193 F. Supp. 2d 6 (D.D.C 2001) (Exhibit US-48). Hence the recognition of geographical indications such as "Rutherford" or "Santa Rita Hills", despite the existence of virtually identical earlier trademarks such as "Rutherford Vintners" and "Santa Rita", respectively. Instead, trademark owners are forced to bring infringement suits against each particular use of the geographical indication. Once again, EC law is more protective of the rights of trademark owners than US law.

<sup>218</sup> In the United States, the courts have considered that recognised geographical indications for wine are descriptive terms. See *Sociedad Anonima Viña Santa Rita v. US Dept. of the Treasury*, 193 F. Supp. 2d 6 (D.D.C 2001) (Exhibit US-48):

As the ATF aptly explains in its opposition, "AVA designations differ from trademark because a trademark is used to convey to the consumer the identity of the manufacturer or producer of the good whereas the AVA is used to describe the geographical origin of the good and can be used by many wineries". ... Thus, by approving the Santa Rita Hills AVA, the ATF has not developed any name or mark of its own. Rather, the

sense of the Paris Convention. Geographical indications are a subset of the category of indications of source. The universe of potential users of a geographical indication registered under Regulation 2081/92 is narrower than that of the universe of potential users of an indication of source which does not qualify as a geographical indication, because the products bearing a registered geographical indication must comply with certain product specifications and other requirements, while an indication of source may be used by any product of that origin. If "fair use" of an indication of source qualifies as a "limited exception", as the United States appears to concede, so must be, *a fortiori*, the fair use of a geographical indication registered under Regulation 2081/92.<sup>219</sup>

(ii) *The exception "takes account" of the interests of the trademark owners*

339. The United States argued in its First Oral Statement that Article 14(2) of Regulation 2081 is not covered by Article 17 because<sup>220</sup>

It should be possible to inform consumers about the origin of a product and its characteristics through the use of descriptive terms in a non-trademark sense without affirmatively *confusing* the consumer about the source of the goods.

340. The United States has repeated again the same argument literally in its response to the Panel's Question No. 75.<sup>221</sup> Its precise meaning, however, still remains unclear to the EC.

341. This argument suggests that the United States considers that an exception may not be justified under Article 17 unless it avoids any likelihood of confusion with the trademark. Thus, the United States appears to be importing into Article 17 the interpretation made by the US courts of the "fair use" exception provided under US trademark law. According to that interpretation, as restated in the US response to the Panel's Question No. 80:<sup>222</sup>

The user invoking fair use must adapt and design his usage of the geographical indication so as not to cause a likelihood of consumer confusion.

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ATF has simply taken the step of recognizing its viticultural singularity and confirming the boundaries that encompass the region.

<sup>219</sup> The EC finds it difficult to understand the explanation provided by Australia in its Response to the Panel's Question No. 80 to the effect that the exception provided under Section 122 of the Australian Trade Marks Act (Exhibit EC-7) with respect to the "good faith use" of a sign used "to indicate the geographic origin" of a product does not apply with respect to a "TRIPS-defined GI", because Section 6 (Exhibit EC-59) of that Act defines expressly the notion of "geographical indication". In the EC's respectful view, this is an obvious *non-sequitur*. Section 6 defines a geographical indication as follows:

in relation to goods originating in a particular country or in a region or locality of that country, means a sign recognised in that country as a sign indicating that the goods: (a) originated in that country, region or locality; and (b) have a quality, reputation or other characteristic attributable to their geographical origin.

Thus, it is plain that the term "signs used to indicate the geographical origin of goods" used in Section 122 includes any sign falling within the category of geographical indications as defined in Section 6.

Although, as noted by Australia, Section 61 (Exhibit EC-60) provides for the rejection of an application for the registration of a trademark that contains or consists of a geographical indication, this is subject to exceptions, including one which purports to implement Article 24.5 of the TRIPS Agreement. As a result, Australia's reading of Section 6 would have the manifestly absurd consequence that geographical indications, which would be entitled in principle to protection under the TRIPS Agreement, could not be used under the "good faith use" exception, while other indications of source, which are not geographical indication and are not entitled to protection under Section 3 of Part II of the TRIPS Agreement, would qualify for that exception.

<sup>220</sup> US FOS, para. 75. Emphasis added.

<sup>221</sup> At para. 94.

<sup>222</sup> At para. 120.

342. This interpretation of the US "fair use" exception cannot be transposed to Article 17 because it would render that provision inoperative and superfluous. Article 17 is an exception to Article 16.1, which does not come into play unless there is a *prima facie* violation of the exclusive rights conferred by Article 16.1. If the use of a geographical indication does not result in a likelihood of confusion with an earlier registered trademark, there is no violation of Article 16.1 and, therefore, no need to invoke Article 17. The application of Article 17 presupposes necessarily that the excepted uses give rise to a likelihood of confusion with the trademark. Requiring as a condition for the application of Article 17 that the excepted uses must not result in a likelihood of confusion with the trademark would render that provision wholly redundant.

343. Alternatively, the US argument could be understood as meaning that, in order to be justified under Article 17, the likelihood of confusion must be confined to the strictly necessary. However, the wording of Article 17 provide no basis for such narrow interpretation. Article 17 includes no "necessity" test, unlike other exceptions in the TRIPS Agreement (for example, Articles 3.2, 27.2, 39.3 and 73(b)) or in other WTO Agreements (for example, Article XX (a), (b) and (d) of the GATT).<sup>223</sup> All that is required by Article 17 is that the exception "takes account" of the legitimate interests of the trademark owner and of third parties.

344. The language of Article 17 may be contrasted also with that of Articles 13, 26.2 and 30 of the TRIPS Agreement, which provide that exceptions "shall not unreasonably prejudice" the interests of the right holder. This is a more stringent requirement than simply "taking account"<sup>224</sup> of the interests of the right holders, which nevertheless falls short of a "necessity" requirement.

345. The United States also argues that the exception invoked by the EC is not justified under Article 17 because it fails to<sup>225</sup>

take account of the interests of the trademark owners and of third parties on a case-by-case basis, depending on the manner in which a descriptive term is used.

346. Once again, the United States is importing into Article 17 conditions from its own trademark law which have no basis in that provision. Article 17 provides that the exception must "take account" of the interests of trademark owners and third parties. It does not prescribe any particular method to do so. Members may choose to define an exception in very broad terms and leave to their courts wide discretion in order to apply it on a case-by-case basis, as appears to be the US own preference.<sup>226</sup> But Members may as well choose to define in advance with greater precision the conditions for the application of an exception in its laws or regulations, in a manner which leaves less discretion to the implementing authorities. This method is arguably less flexible than the method advocated by the United States. But it has the advantage of providing greater legal certainty to all the parties involved, including the trademark owners, and is not incompatible *per se* with Article 17.

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<sup>223</sup> In *US – Gasoline*, pp. 14-19, the Appellate Body chastised the panel for reading a necessity requirement into Article XX(g) which, unlike other exceptions included in Article XX, does not use the term "necessary".

<sup>224</sup> Articles 26.2 and 30 of the TRIPS Agreement distinguish between the interests of the right holders, which must not be "unreasonably prejudiced" and the interests of third parties, which must be simply "taken account of".

<sup>225</sup> US FOS, para. 75

<sup>226</sup> As explained above, under US law, trademark owners may not challenge before the courts the validity of the decision recognising a geographical indication for wines on the grounds that it infringes their trademark rights. Instead, they are forced to bring individual suits against each particular infringing use. In contrast, Article 14(3) of Regulation 2081/92 allows trademark owners to prevent *a priori* the registration of any proposed geographical indication that results in a likelihood of confusion with an earlier trademark. This limits considerably the risk of subsequent infringing uses, since they are limited to the misuse of a name which is not confusing *per se*.

347. In any event, as a matter of fact, the US objections are unwarranted. As explained above at paragraphs 299-303 the concerns expressed by the United States with respect to certain particular misuses of a registered geographical indication are largely theoretical and can be addressed appropriately under Regulation 2081/92 and complementary legislation. Even if the remedies against those particular misuses available under EC law were not deemed sufficient in order to comply with Article 16.1, they would be sufficient to consider that the interests of the trademark owners and third parties are appropriately taken into account for the purposes of Article 17.

(iii) *Article 17 applies to non-geographical names*

348. Finally, the United States contends that "nothing in the EC's interpretation explains how the Article 17 fair use exception applies to non-geographic names".<sup>227</sup>

349. The EC fails to understand the pertinence of this argument. The reasoning developed by the EC applies indistinctly to all geographical indications, regardless of whether they consist of a geographical or a non-geographical names, because all of them serve identical purpose. They identify a product as originating in a certain geographical location to which consumers associate a given quality, reputation or other characteristic.<sup>228</sup>

350. There is nothing in Article 17 which excludes non-geographical names from its scope. In particular, the term "descriptive terms" may include any term which serves to describe the origin of goods, and the product characteristics associated to such origin, regardless of whether it is a geographical name.

**2. Claim 20: Regulation 2081/92 does not provide for a presumption of a likelihood of confusion in the case of use of an identical sign for identical goods**

351. Australia has submitted no further arguments.

**3. Claim 21: Article 7(4) of Regulation 2081/92 is inconsistent with Article 16.1 of the TRIPS Agreement because it limits the grounds of objection**

352. Australia has submitted no further arguments.

353. The EC notes that, in response to a question from the EC, Australia has been unable to identify any case where the EC authorities have limited the grounds of objection under Article 7(4) of Regulation 2081/92 in the manner alleged by Australia.<sup>229</sup> This confirms the EC's interpretation of that provision.

**4. Claim 22: Regulation 2081/92 does not ensure that objections from trademark owners will be considered by the Committee**

354. Australia has submitted no further arguments.

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<sup>227</sup> US Response to the Panel's Question No. 75, at para. 96.

<sup>228</sup> Cf. Article 22.1 of the TRIPS Agreement.

<sup>229</sup> Australia's Response to the EC's Question No. 1.



- B. CLAIM 23: BY REQUIRING THE CO-EXISTENCE OF A REGISTERED GEOGRAPHICAL INDICATION AND AN EARLIER TRADEMARK, ARTICLE 14(2) ENCUMBERS UNJUSTIFIABLY THE USE OF THE TRADEMARK, CONTRARY TO ARTICLE 20 OF THE TRIPS AGREEMENT

355. Australia has submitted no further arguments.

- C. CLAIM 24: ARTICLE 14(1) OF REGULATION 2081/92 IS INCONSISTENT WITH ARTICLE 24.5 OF THE TRIPS AGREEMENT BECAUSE IT DOES NOT AFFORD THE RIGHT OF PRIORITY PROVIDED IN ARTICLE 4 OF THE PARIS CONVENTION

356. Australia has submitted no further arguments, even though the EC had requested Australia to clarify this claim.

357. The EC notes that, in response to a question from the EC, Australia has not been able to identify even one single application for a trademark that falls within the situation that Australia alleges under this claim.<sup>230</sup>

- D. ARTICLES 41.1, 41.2, 41.3, 41.4, 42, 43, 44.1, 45, 46, 48 AND 49 OF THE TRIPS AGREEMENT

## 1. General Considerations

358. In response to the Panel's Question No. 85, Australia appears to concede that Parts III and IV of the TRIPS Agreement cannot be applied cumulatively to the same procedures:

In the event that the Panel should consider that the decision-making process provided by Article 15 of Regulation 2081/92 does provide a means for the owner of a registered trademark to enforce rights required to be granted by TRIPS Article 16.1, it is Australia's view that the decision-making process constitutes an enforcement process in respect of such trademark rights governed by Part III of the TRIPS Agreement: Part IV is not applicable.

359. The registration procedure laid down in Regulation 2081/92, including the objection procedure, is not a means to "enforce" the rights of the trademark owners. Article 16.1 of the TRIPS Agreement confers to the owner of a registered trademark the exclusive right to prevent all third parties from *using* identical or similar signs for identical or similar good where such use would result in a likelihood of confusion

360. The registration of geographical indication does not amount to the *use* of that geographical indication and does not infringe *per se* any rights of the trademarks owner.<sup>231</sup> Such infringement may result only from the subsequent *use* of the registered geographical indication by one of the right holders. Regulation 2081/92 does not prevent trademark owners from bringing infringement proceedings under the applicable provisions of trademark law against a right holder of a geographical indication, if and when it *uses* the geographical indication, in the context of which trademark owners can invoke that the registration is invalid or that the particular use (or misuse) of the geographical indication is not covered by Regulation 2081/92.

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<sup>230</sup> Australia's Response to the EC's Question No. 2.

<sup>231</sup> The US courts have followed a similar reasoning in order to deny to trademark owners the right to contest judicially the validity of the decision to recognise a geographical indication for wines on the grounds that it infringes their trademark rights. See *Sociedad Anonima Viña Santa Rita v. US Dept. of the Treasury*, 193 F. Supp. 2d 6 (D.D.C 2001) (Exhibit US-48) ("While the Bureau has recognized an AVA under the name "Santa Rita Hills" it has not used, imitated, or copied the name at all. Because such conduct is a necessary element of an infringement claim ... the Court finds that the ATF's decision does not, in and of itself, contravene Plaintiff's trademark rights").

361. The EC notes that, in response to questions posed by the EC, Australia has conceded that

- Australia's Trade Marks Office is not a judicial body;<sup>232</sup>
- the procedures before Australia's Trade Marks Office are not "judicial procedures" within the meaning of Article 42 of the TRIPS Agreement;<sup>233</sup>
- Australia's Trade Marks Office does not have the authority to order the remedies provided in Articles 44, 45 and 46.<sup>234</sup>

362. Despite the above, Australia maintains that the registration and opposition procedures before Australia's Trade Marks Office may be characterised as "enforcement procedures" within the meaning of Part III of the TRIPS Agreement.<sup>235</sup> However, if so, it would follow that Australia's registration and opposition procedures for trademarks are subject to Part III and not to Part IV. Furthermore, it would mean that those procedures are in clear violation of Part III, and in particular of Articles 42, 44, 45 and 46.

363. Australia appears to consider that there is no such violation because the decisions of the Trade Marks Office are reviewable by the Federal Court of Australia.<sup>236</sup> But the requirement to provide for such judicial review is contained in Part IV and not in Part III (cf. Article 62.5). Furthermore, the EC has explained repeatedly that the registration decisions under Regulation 2081/92 and the decisions of the authorities of the Member States with respect to the statements of objections are also subject to review by the courts, which can order the remedies provided in Part III. In view of that, Australia should explain why the EC's procedures for the registration of geographical indications are inconsistent with Part III, but Australia's own procedures for the registration of trademarks are not.

364. The United States does not answer to the questions whether the USPTO is a judicial body and whether the procedures before the USPTO are judicial procedures, although it seem to concede that they are not by saying that some of them are "quasi-judicial".<sup>237</sup> The United States also says that "certain aspects of the procedures of the USPTO could be regarded as part of the enforcement procedures available to US right holders".<sup>238</sup> For example, according to the United States, a petitioner could take a cancellation decision of the USPTO to a federal court to get an injunction.<sup>239</sup> But the same is true of Regulation 2081/92. If a trademark owner objects successfully to the registration of a geographical indication, it could take the decision rejecting the registration to a Member State court to get an injunction against an infringing use.

365. In its First Written Submission, the EC argued that, for the purposes of Part III, the existence of an "infringement" must be determined in relation to the domestic law implementing Part II and not to Part II itself. Otherwise, Members would be required to give "direct effect" to the provisions of Part II. In connection with this argument the EC asked the following question to the complainants:<sup>240</sup>

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<sup>232</sup> Australia's Response to the EC's Question No. 6 b).

<sup>233</sup> Australia's Response to the EC's Question No. 6 c).

<sup>234</sup> Australia's Response to the EC's Question No. 6 d).

<sup>235</sup> Australia's Response to the EC's Question No. 6 a).

<sup>236</sup> Australia's Response to the EC's Question No. 6 a).

<sup>237</sup> US Response to the EC's Question No. 7.

<sup>238</sup> Ibid.

<sup>239</sup> Ibid.

<sup>240</sup> EC's Question to the complainants No. 8.

Would it be possible under domestic law for an EC national who owns an Australian/US trademark to claim before the Australia/US courts that another trademark has been registered by Australia's Trademark Office/the US PTO in violation of Article 16.1 of the TRIPS Agreement, even where it is not contested that such registration is in conformity with all the relevant provisions of your domestic trademark law?

366. The United States has responded evasively:

... any person likely to be damaged by the registration or continued registration of a mark at the USPTO may request cancellation of the registration at the USPTO or in a federal court and would cite grounds under US law for such request.

367. The EC understands that the "grounds under US law" mentioned in the above response do not include the violation of Article 16.1. The EC assumes, therefore, that the United States agrees that there is no obligation under Part III to provide "enforcement procedures" against the infringement of Article 16.1 as such, but only against the infringement of those provisions of domestic law that purport to implement Article 16.1, irrespective of their consistency with Article 16.1.

368. For its part, Australia answered as follows:

A decision to register a trademark is reviewable *de novo* by the Federal Court of Australia. Thus, it would be possible for an EC national who owns an Australian trademark to claim before that court that another trademark has been registered by the Trade Marks Office of IP Australia in violation of the exclusive rights to use a trademark and to authorise other persons to use the trademark granted by section 20 of the Australian Trade Marks Act, which implements Australia's obligations pursuant to TRIPS Article 16.1, even where it is not contested that the latter registration is in conformity with all the relevant provisions of the Act.

369. The EC does not understand this response, which appears to be contradictory. How could the EC owner of the Australian trademark "A" claim that the registration of the Australian trademark "B" infringes section 20 without contesting that the registration of trademark "B" is in conformity "with all the relevant provisions of the Act"? In a footnote to this response Australia confirms that "the provisions of international agreements do not have direct effect in Australian law". Thus, the EC understands that the owner of trademark "A" could not claim that, although trademark "B" has been registered in conformity with section 20, the registration of trademark "B" should be cancelled because it breaches Article 16.1. The EC assumes that, in view of this, Australia would agree that the situation described in the question would not give rise *per se* to a violation of Part III of the TRIPS Agreement, irrespective of the question whether section 20 is consistent with Article 16.1 of the TRIPS Agreement.

## **2. Claim 25: Regulation 2081/92 is inconsistent with Article 41.1 of the TRIPS Agreement**

370. Neither Australia nor the United States have submitted any further arguments.

## **3. Claim 26: Regulation 2081/92 is inconsistent with Article 41.2 of the TRIPS Agreement**

371. Neither Australia nor the United States have submitted any further arguments.

372. The EC notes, nevertheless, that, in the context of another claim, the United States has conceded that:<sup>241</sup>

in the case of the United States, it would probably not be difficult to designate an office in the US Government to perform a purely ministerial act of transmitting a registration ... objections to the EC.

373. As explained by the EC<sup>242</sup>, the action described in the US response is all that is required from the governments of other WTO Members under the objection procedure. The US admission confirms that, contrary to Australia's allegations<sup>243</sup>, the requirement to lodge objections with the governments of other WTO Members does not "add unjustifiable complexity and delay".

**4. Claim 27: Regulation 2081/92 is inconsistent with Article 41.3 of the TRIPS Agreement**

374. Australia has submitted no further arguments.

**5. Claim 28: Regulation 2081/92 is inconsistent with Article 41.4 of the TRIPS Agreement**

375. The United States has made no further arguments.

**6. Claim 29: Regulation 2081/92 is inconsistent with Article 42 of the TRIPS Agreement**

376. See above the comments under "General Considerations".

**E. CLAIM 30: REGULATION 2081/92 IS INCONSISTENT WITH ARTICLE 10BIS (1) AND 10TER (1) OF THE PARIS CONVENTION**

377. Australia has submitted no further arguments.

**F. CONSEQUENTIAL CLAIMS**

**1. Claim 31: Regulation 2081/92 is inconsistent with Article 2.1 of the TRIPS Agreement**

378. Australia has made no further arguments.

**2. Claim 32: Regulation 2081/92 is inconsistent with Article 1.1 of the TRIPS Agreement**

379. Australia has conceded that this claim is entirely dependent on other claims.<sup>244</sup>

**3. Claim 33: The transitional national protection provided by the Member States is inconsistent with Articles 2.1, 16.1, 41.1, 41.2, 41.3 and/or 42 of the TRIPS Agreement**

380. Australia has made no further arguments.

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<sup>241</sup> US Response to the Panel's Question No. 38, para. 74.

<sup>242</sup> EC Response to the Panel's Question No. 34, para. 86.

<sup>243</sup> Australia's FWS, para. 138.

<sup>244</sup> Australia's Response to the Panel's Question No. 82.

**VI. THE EC MEASURE IS CONSISTENT WITH THE OBLIGATION TO PROVIDE PROTECTION TO GEOGRAPHICAL INDICATIONS UNDER ARTICLE 22.2 OF THE TRIPS AGREEMENT**

**1. Claim 34: Regulation 2081/92 is inconsistent with Article 22.2 of the TRIPS Agreement**

381. In its First Written Submission, Australia stated this claim as follows:<sup>245</sup>

Regulation No. 2081/92 establishes a Community-wide regime for the registration and protection of EC-defined GIs. However, the EC measure does not provide –as concerns those same EC-defined GIs - legal channels for interested parties to prevent on a Community-wide basis any use of those EC-defined GIs which would mislead the public as to the geographical origin of a good or any use which would constitute an act of unfair competition within the meaning of Paris Article 10 bis.

382. The EC noted that this claim was insufficiently argued and difficult to understand. As discussed below, after one hearing and a round of questions and answers, this claim remains as obscure, if not more, as in Australia's First Written Submission.

383. The above quoted passage suggested that the alleged violation would arise from the absence of Community-wide system of protection. The EC noted in its First Written Submission that there is no basis in Article 22.2, or anywhere else in the TRIPS Agreement, for the proposition that protection must be provided at any particular territorial level. The Panel seemed to share the EC's perplexity because it asked Australia to "cite any authority for the proposition that a Member must comply with a particular WTO obligation through a single measure applicable throughout its territory". Australia has responded this question as follows:<sup>246</sup>

Australia has not contended –and does not contend – that a WTO Member must comply with a particular WTO obligation through a single measure applicable throughout its territory. Rather, Australia contends that, while the EC can choose to offer more extensive protection of EC-defined GIS at the Community level, the EC must also ensure that it does not breach its TRIPS obligations in doing so. Given the legal EC system, and the terms of Regulation No. 2081/92 and of other EC and Member States law, the EC has effectively implemented a TRIPS right –at Community level- without also effectively implementing at the same level the concurrent TRIPS obligation.

384. The EC wishes to put on record that it still fails to understand the grounds for Australia's claim. In particular, the EC does not know what are the "concurrent TRIPS obligations" that the EC should have implemented at Community level, rather than at Member State level. In addition, the EC notes that Australia does not answer the Panel's question, because it does not cite any authority for the proposition that WTO rights and "concurrent obligations" should be implemented at the same level. The EC is not aware of any such authority.

385. In its First Written Submission, the EC noted that it failed to see how the use of a validly registered geographical indication, which is otherwise consistent with the TRIPS Agreement, could possibly mislead the public as to the geographical origin of the goods. The EC also observed that it failed to understand how the registration or the use of a geographical indication consistently with the EC domestic laws, as well as with all other provisions of the TRIPS Agreement, including

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<sup>245</sup> Ibid., para. 155.

<sup>246</sup> Australia's response to the Panel's Question No. 81.

Articles 24.5 and 16, could ever constitute an act of unfair competition within the meaning of Article 10bis of the Paris Convention (1967).

386. In response to the Panel's Question No. 24 concerning the meaning of the term "interested parties" in Article 22.2 Australia provides an "example" of the type of "uses" which it has in mind:

For example, it is entirely possible that there are products which, while originally based on European processes, have subsequently come to represent the "international" trading standard for that product: to register the original geographic name under regulation No. 2081/92 in such circumstances – notwithstanding that the product qualify for registration – could well constitute misleading use or use which constitutes an act of unfair competition within the meaning of TRIPS Article 22.2 even within the EC. This type of action is clearly contemplated by the text of Article 22.2.

387. Later, in response to the Panel's Question No. 82, Australia states what appears to be a condensed version of the same "example":

the situations covered by TRIPS Article 22.2 do not necessarily involve trademark rights: for example, a term may have become a generic product description in international trade before it was protected in its country of origin.

388. It is unclear to the EC whether these "examples" are provided simply in order to illustrate Australia's interpretation of the notion of "interested parties" or purport to be claims on their own. The EC surmises that Australia does not dare to state them more openly as claims because it realises that they are as provocative as ill-founded.

389. First, the EC does not understand, and Australia does not explain, how the use of a term which in the territory of Member "A" is not a "generic" product description but a "geographical indication" within the meaning of Article 22.1 (i.e. a term which "identifies the origin" of the product) could be deemed "misleading" for the purposes of Article 22.2(a) when used in relation to goods of the origin designated by the geographical indication, simply because the same term has become "generic" in the territory of Member "B".

390. Second, Article 22.2 is concerned with the protection of geographical indications as defined in Article 22.1. Article 22.2(b) applies to unfair competition acts against the right holders of geographical indications and not to supposed unfair competition acts against other parties arising from the legitimate use of geographical indications.

391. Third, in any event, the conduct described by Australia cannot be deemed an act of unfair competition by any reasonable standard. Australia cites no authority for its interpretation, except a quotation from Bodenhausen's treatise to the effect that the notion of "honest practice in industrial or commercial matters" within the meaning of Article 10bis.2 of the Paris Convention includes "honest practices established in international trade".<sup>247</sup> The EC submits that the exercise of a right conferred by a WTO Member in order to comply with its obligations under the TRIPS Agreement is not a "dishonest practice" in international trade. In particular, where such right is exercised in order to avoid that the public of that WTO Member be misled as to the origin of the products. In other words, in order to prevent a genuine act of unfair competition.

392. Moreover, Australia's interpretation would create a conflict between Article 22.2(a), which requires Members to provide means to protect the geographical indications of other Members, unless

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<sup>247</sup> Australia's Response to Question No. 24.

they have become "generic" in *their* own territory<sup>248</sup>, and Article 22.2(b), which, on Australia's construction, would require them to provide means to prevent the use of geographical indications that are "generic" in the territory of *other* Members. Indeed, Australia's interpretation would create a conflict *within* Article 22.2(b) itself, because, as mentioned, the fact of using a term which is a geographical indication in the territory of one Member in relation to products that do not have that origin is an act of unfair competition.

393. Finally, Article 22.2(b) applies to "uses". The registration of a geographical indication is not a "use" and cannot be *per se* an act of unfair competition. Rather the alleged act of unfair competition would result from the subsequent use of a geographical indication. Regulation 2081/92 does not exclude the application of the laws on unfair competition of the Member States. To the extent that the conduct described by Australia could ever be considered as an act of unfair competition, the use of a registered geographical indication would be caught by those laws, which are all based on the relevant provisions of the Paris Convention. Those laws are not within the terms of reference of the Panel.

**2. Claim 35: Regulation 2081/92 is inconsistent with Article 1.1 of the TRIPS Agreement because it is inconsistent with Article 22.2**

394. Australia concedes that this claim is entirely dependent on its claim under Article 22.2 of the TRIPS.<sup>249</sup>

**3. Claim 36: Regulation 2081/92 is inconsistent with Article 22.2 TRIPS**

395. In its response to the Panel's Question No. 84, the United States argues that the fact that opposition procedures are regulated specifically in Part IV does not exclude the possibility that the lack of adequate objection procedures may be inconsistent as well with Article 22.2.

396. The United States argues that Article 62.1 envisions that the procedures for the acquisition of an intellectual property right can violate both Part IV and other provisions of the TRIPS Agreement, including Part II. This is correct. For example, it is beyond question that those procedures may violate Articles 3 and 4. In addition, some provisions of Part II lay down special procedural rules. For example, Article 15.5 provides that "Members may afford an opportunity for the registration of a trademark to be opposed".

397. Unlike Article 15.5, Article 22.2 does not regulate expressly the right of opposition. In the absence of any such express rules in Article 22.2 or elsewhere in Section 3 of Part II, it may not be assumed that the drafters' intention was to derogate from the generally applicable rules contained in Part IV.

398. Moreover, Article 22.2 requires to provide "means" to prevent certain "uses". The registration of a geographical indication is not a "use" of a geographical indication. For that reason, in order to comply with Article 22.2 it is not necessary to provide for a right of objection to the registration of a geographical indication. Article 22.2 does not even require to provide for the possibility to challenge directly before the courts the registration decision. In order to comply with Article 22.2 it may be sufficient if a Members provide for the possibility to bring infringement proceedings against a particular "use" prohibited by Article 22.2, in the context of which the plaintiff may challenge the validity of the registration, if necessary. EC law does provide for such possibility.

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<sup>248</sup> Cf. Article 24.9 of the TRIPS Agreement.

<sup>249</sup> Australia's Response to the Panel's Question No. 82.

## **VII. REGULATION 2081/92 IS CONSISTENT WITH OBLIGATIONS UNDER THE TBT AGREEMENT**

399. Australia (but not the United States) has raised two claims under the TBT Agreement:

- that Article 12(2) of Regulation 2081/92 is incompatible with Article 2.1 of the TBT Agreement (Claim 37);<sup>250</sup>
- that Articles 4 and 10 of Regulation 2081/92 are incompatible with Article 2.2 of the TBT Agreement (Claim 38).<sup>251</sup>

400. In its first written submission, the EC has shown that the provisions of Regulation 2081/92 referred to by Australia cannot be regarded as technical regulations within the meaning of Articles 2.1 and 2.2 TBT Agreement.<sup>252</sup> Moreover, the EC has shown that in any event, Australia's claims under Article 2.1 and 2.2 TBT Agreement are unfounded.<sup>253</sup>

### **A. REGULATION 2081/92 IS NOT A TECHNICAL REGULATION**

401. At this stage, Australia has provided very little in response to the EC's arguments. In particular, in the view of the EC, Australia has failed to show that the provisions of Regulation 2081/92 which it challenges do indeed constitute a technical regulation falling under Article 2 of the TBT Agreement.

#### **1. Article 12(2) of Regulation 2081/92 is not a technical regulation**

402. Contrary to the view of Australia, Article 12(2) of Regulation 2081/92 is not a technical regulation within the meaning of the TBT Agreement. In its first written submission, the EC has set out that Article 12(2) does not apply to identifiable products, does not lay down product characteristics, and is not a mandatory requirement.<sup>254</sup> Moreover, in response to Question 50 of the Panel, the EC explained that the requirement to indicate the origin of the product is not a "labelling requirement as it applies to a product, process or production method" within the meaning of Annex 1, Point 1, to the TBT Agreement.<sup>255</sup>

403. For all these reasons, Article 12(2) of Regulation 2081/92 is not a technical regulation within the meaning of the TBT Agreement.

#### **2. Articles 4 and 10 of Regulation 2081/92 are not a technical regulation**

404. Contrary to the view of Australia, Articles 4 and 10 of Regulation 2081/92 are not a technical regulation within the meaning of the TBT Agreement.

405. In its first written submission, the EC has explained that by requiring the existence of inspection structures, Articles 4 and 10 of Regulation 2081/92 do not lay down product characteristics, and therefore cannot be regarded as a technical regulation within the meaning of Point 1 of Annex 1 to the TBT Agreement.<sup>256</sup> The EC stressed that the objective of the requirement of

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<sup>250</sup> Australia's FWS, para. 234 et seq.

<sup>251</sup> Australia's FWS, para. 249 et seq.

<sup>252</sup> EC FWS, para. 439 et seq.

<sup>253</sup> EC FWS, para. 469 et seq.

<sup>254</sup> EC FWS, para. 443 et seq.

<sup>255</sup> EC Response to Panel's Question No. 50, para. 120.

<sup>256</sup> EC FWS, para. 458 et seq.



inspection structures was to ensure that the product specifications are complied with. Accordingly, even if, for the sake of argument, it were accepted that these product specifications are a technical regulation or a standard, then the inspection structures would constitute a conformity assessment procedure within the meaning of Point 3 of Annex 1 to the TBT Agreement, but not a technical regulation. Accordingly the applicable provisions would be Articles 5 to 9 of the TBT Agreement, and not Articles 2 to 4 thereof.

406. In response to Question 60 of the Panel, Australia has claimed that the dividing line between a technical regulation and a conformity assessment procedure is "difficult to determine in the abstract". The EC does not agree. As the EC has set out in its response to the same question,<sup>257</sup> the dividing line is perfectly clear, and follows from the definitions contained in Points 1 and 3 of Annex 1 to the TBT Agreement. According to Point 1 of Annex 1, a technical regulation "lays down product characteristics". According to Point 3, a conformity assessment procedure ensures that "relevant requirements in technical regulations or standards are fulfilled". In application of these definitions, it should be clear that the requirement of inspection structures is not a technical regulation.

407. In its response to Question 60, Australia has raised the question whether the EC contends that the "product specifications requirement set out in Article 4 of the Regulation" constitutes a technical regulation. The EC certainly does not contend that the requirement that a geographical indication must correspond to certain product specifications constitutes a technical regulation. This requirement is merely a condition for the registration of geographical indications, i.e. of an intellectual property right, and does not itself constitute a technical regulation.

408. A different question would be whether individual product specifications laid down for particular geographical indications are technical regulations. The EC does not believe so. However, the Panel does not need to address this issue, since Australia has not raised any specific claims with respect to specific product specifications. It is sufficient to note that even if, for the sake of hypothesis, Australia's thesis were accepted that somehow product specifications are technical regulations, still the requirement of inspection structures would not constitute a technical regulation.

409. For these reasons, the requirement of inspection structures set out in Articles 4 and 10 of Regulation 2081/92 does not constitute a technical regulation within the meaning of the TBT Agreement.

**B. CLAIM 37: ARTICLE 12(2) OF REGULATION 2081/92 IS INCOMPATIBLE WITH ARTICLE 2.1 OF THE TBT AGREEMENT**

410. Australia has claimed that Article 12(2) of Regulation 2081/92 is incompatible with Article 2.1 of the TBT Agreement.<sup>258</sup>

411. As the EC has set out in its first written submission, Article 12(2) is fully compatible with Article 2.1 of the TBT Agreement.<sup>259</sup> In particular, the EC has explained that Article 12(2) of Regulation 2081/92 applies to domestic and foreign geographical indications in a non-discriminatory fashion, since it requires in fact the indication of the country of origin for the homonymous geographical indication which is protected later, irrespective of whether this is the EC or the third country indication.

412. The EC notes that in its response to Question 53 of the Panel, Australia has indicated that if interpreted in this way, Article 12(2) would not be incompatible with Article 2.1 TBT Agreement.

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<sup>257</sup> EC Response to Panel's Question No. 60, para. 132-134.

<sup>258</sup> Australia's FWS, para. 234 et seq.

<sup>259</sup> EC FWS, para. 469 et seq.

However, Australia voices doubts as to whether the interpretation set out by the EC is correct. As the EC has already explained above in response to Claim 3, these doubts are unfounded.<sup>260</sup>

413. Accordingly, Article 12(2) of Regulation 2081/92 is not incompatible with Article 2.1 TBT Agreement.

**C. CLAIM 38: ARTICLES 4, 10, AND 12 (1) OF REGULATION 2081/92 ARE INCOMPATIBLE WITH ARTICLE 2.2 OF THE TBT AGREEMENT**

414. Australia has claimed that Articles 4, 10, and 12 (1) of Regulation 2081/92 are incompatible with Article 2.2 of the TBT Agreement.<sup>261</sup>

415. Australia's claims in this respect are similar to those which the United States now is raising under the national treatment provisions of the TRIPS Agreement and the GATT (Claims 1bis and 12bis). In response to Claim 1bis, the EC has already set out in detail that the requirement of inspection structures is necessary for the attainment of the objectives of Regulation 2081/92, and is not more trade-restrictive than necessary for the fulfilment of these purposes. These arguments apply also to the Australian claim made under Article 2.2 TBT Agreement. Accordingly, the EC refer to its defence to Claim 1bis in this respect.<sup>262</sup>

416. Accordingly, Regulation 2081/92 is fully compatible with Article 2.2 TBT Agreement.

**VIII. CLAIM 39, 40: THE EC MEASURE IS COMPATIBLE WITH ARTICLE 65.1 TRIPS AND ARTICLE XVI:4 WTO**

417. The United States has claimed that the EC has not fulfilled its obligations under Article 65.1 TRIPS.<sup>263</sup> Similarly, Australia has claimed that the EC has not complied with its obligations under Article XVI:4 WTO.<sup>264</sup>

418. Both claims are dependent on substantive claims discussed above. Since these claims are unfounded, the consequential claims under Article 65.1 TRIPS and XVI:4 WTO are equally unfounded.

**IX. CONCLUSION**

419. For the above reasons, the EC reiterates the conclusions stated in its First Written Submission.

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<sup>260</sup> Above para. 143.

<sup>261</sup> Australia's FWS, para. 249 et seq.

<sup>262</sup> Above, para. 91.

<sup>263</sup> US FWS, para. 190.

<sup>264</sup> Australia's FWS, para. 267.

**ANNEX B-6**

**ORAL STATEMENT OF THE EUROPEAN COMMUNITIES  
SECOND SUBSTANTIVE MEETING**

(12 August 2004)

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**Table of WTO and GATT cases referred to in this statement**

<b>Short Title</b>	<b>Full Case Title and Citation of Case</b>
<i>Argentina – Footwear(EC)</i>	Appellate Body Report, <i>Argentina – Safeguard Measures on Imports of Footwear</i> , WT/DS121/AB/R, adopted 12 January 2000, DSR 2000:I, 515
<i>EC – Asbestos</i>	Appellate Body Report, <i>European Communities – Measures Affecting Asbestos and Asbestos-Containing Products</i> , WT/DS135/AB/R, adopted 5 April 2001
<i>Indonesia – Autos</i>	Panel Report, <i>Indonesia – Certain Measures Affecting the Automobile Industry</i> , WT/DS54/R, WT/DS55/R, WT/DS59/R, WT/DS64/R and Corr.1, 2, 3, and 4, adopted 23 July 1998, DSR 1998:VI, 2201
<i>Korea – Dairy</i>	Appellate Body Report, <i>Korea – Definitive Safeguard Measure on Imports of Certain Dairy Products</i> , WT/DS98/AB/R, adopted 12 January 2000, DSR 2000:I, 3
<i>Korea – Various Measures on Beef</i>	Appellate Body Report, <i>Korea – Measures Affecting Imports of Fresh, Chilled and Frozen Beef</i> , WT/DS161/AB/R, WT/DS169/AB/R, adopted 10 January 2001
<i>US – Section 337</i>	Panel Report, <i>US – Section 337 of the Tariff Act of 1930</i> , Report by the Panel adopted on 7 November 1989 (L/6439 – 36S/345)
<i>US – Taxes on Automobiles</i>	Panel Report, <i>United State – Taxes on Automobiles</i> , DS31/R, 11 October 1994

## GLOSSARY

<b>Commission, EC Commission</b>	Commission of the European Communities
<b>Committee</b>	Committee of representatives of the Member States referred to in Article 15 of Council Regulation 2081/92
<b>Community Trademark Regulation</b>	Council Regulation (EC) No 40/94, of 20 December 1993, on the Community Trademark, as amended
<b>Council, EC Council</b>	Council of the European Union
<b>Court of Justice, European Court of Justice</b>	Court of Justice of the European Communities
<b>DSU</b>	Understanding on Rules and Procedures Governing the Settlement of Disputes
<b>EC</b>	European Communities
<b>GATT</b>	General Agreement on Tariffs and Trade 1994
<b>FOS</b>	First Oral Statement
<b>FWS</b>	First Written Submission
<b>GI</b>	Geographical indication
<b>Member States, EC Member States</b>	Member States of the European Union
<b>Official Journal</b>	Official Journal of the European Union
<b>OHIM Paris Convention</b>	Office for Harmonization in the Internal Market Stockholm Act of the Paris Convention for the protection of Industrial property, of 14 July 1967
<b>Regulation 2081/92, Regulation</b>	Council Regulation (EEC) No 2081/92 of 14 July 1992 on the protection of geographical indications and designations of origin for agricultural products and foodstuffs, as amended on the date of establishment of the Panel
<b>SCM Agreement, SCM</b>	Agreement on Subsidies and Countervailing Duties
<b>SWS</b>	Second Written Submission
<b>Trademarks Directive</b>	First Council Directive 89/104, of 20 December, on the Community Trademark, as amended
<b>TBT Agreement, TBT</b>	Agreement on Technical Barriers to Trade

**TRIPS Agreement, TRIPS**

Agreement on Trade-Related Aspects of Intellectual  
Property Rights

**US**

United States

**WTO Agreement**

Marrakesh Agreement Establishing the World Trade  
Organization



## **I. INTRODUCTION**

1. The European Communities welcomes this opportunity to submit its views in this dispute. In our statement of this morning we will provide a response to the rebuttal submissions of the complainants. We will follow the same order of claims as in our written submissions.

2. While we have striven to avoid unnecessary repetitions, the large number of claims involved, together with the fact that the complainants often make divergent, if not contradictory arguments under each claim, have prevented us from being as concise as we would have liked at this stage of the proceedings. We trust, however, that the panel will understand that the EC cannot leave without response the numerous new arguments, and in some cases new claims, made by the complainants in their rebuttal submissions.

## **II. THE OBJECTIVE ASSESSMENT OF THE CONTENT OF REGULATION 2081/92**

3. The complainants and the EC disagree about the interpretation which must be given to a number of the provisions of Regulation 2081/92. A central task for the Panel will therefore be to establish the proper meaning of Regulation 2081/92 as a measure of EC domestic law. The Panel must carry out this task in accordance with Article 11 of the DSU, which requires "an objective assessment of the facts of the case".

4. At this stage, the EC does not wish to repeat what it has already said in its previous submissions.<sup>1</sup> However, since this is a horizontal issue of some importance to a number of the claims, and since the complainants persist in interpreting several of the provisions of Regulation 2081/92 in a way which does not correspond to the meaning of the measure, the EC would like to offer some general observations about the objective assessment of Regulation 2081/92.

5. First, and maybe most obviously, it must be recalled that since the interpretation of Regulation 2081/92 is a question of fact, the burden of proof for establishing that Regulation 2081/92 has the meaning which the complainants allege is on the complainants. In their submissions, however, the complainants have repeatedly attempted to shift this burden of proof to the EC, and asked the EC to disprove their claims.<sup>2</sup> This is not admissible. In order to prove their case, the complainants must do more than simply make factual assertions. They must establish that the interpretation of Regulation 2081/92 which they defend is the only correct one, taking into account the wording, objectives and context of the measure in the EC legal order.

6. Second, the assessment of the content of Regulation 2081/92 must be objective. In their submissions, the complainants are systematically defending those interpretations of Regulation 2081/92 which are the least compatible with the EC's WTO obligations. In contrast, the complainants systematically discard those interpretations of Regulation 2081/92 which do not result in a violation of WTO obligations, even where these interpretations are mandated by the wording, objectives and context of the Regulation. It is submitted that such an approach to the interpretation of Regulation 2081/92 does not constitute an objective assessment of the facts.

7. Third, as a measure of EC domestic law, Regulation 2081/92 must be interpreted in accordance with the principles of interpretation applicable in the EC domestic legal order. A particularly important element for the interpretation of Regulation 2081/92 are therefore the international obligations of the European Community, including the WTO Agreements. Contrary to what Australia continues to argue, this has nothing to do with the question of whether WTO law has

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<sup>1</sup> EC Response to the Panel's Question No. 1, para. 1 et seq.; EC SWS, para. 3 et seq.

<sup>2</sup> US Response to Panel's Question No. 1, para. 1.

"direct effect" in the EC legal order, and whether the European Court of Justice can review the legality of EC measures on the basis of their compatibility with WTO obligations.<sup>3</sup>

8. The European Court of Justice has held repeatedly that Community law must be interpreted in accordance with the Community's international obligations.<sup>4</sup> This principle is highly relevant to the present case. It seems excluded that when faced with two equally possible interpretations of a provision of Community law, the Court of Justice would simply choose the one which leads to a violation of WTO obligations rather than the one which would not.

9. As one practical example for the way in which the European Court of Justice takes into account WTO law in the interpretation of EC law, the EC has referred to the Court's judgment in the *Petrotub* case.<sup>5</sup> To the EC's surprise, the United States has found this case not only instructive, but also "worrisome".<sup>6</sup> In the view of the EC, the *Petrotub* judgment should be reassuring to the complainants, not worrisome. In this judgment, the Court gave effect to a provision of the Anti-Dumping Agreement on the basis that the EC Anti-Dumping Regulation was intended to implement this agreement. The Court of Justice reached this result despite the fact that the AD Regulation did not contain a specific reference to the provision applied, let alone a "without prejudice" clause similar to that contained in Article 12(1) of Regulation 2081/92.<sup>7</sup>

10. The US has also referred to the fact that in the *Petrotub* case, the Commission had defended a contrary position in the proceedings before the Court of Justice to the one the EC had taken in a response to questions in the WTO AD Committee.<sup>8</sup> The EC does not consider this relevant for the present case. What is relevant is that despite the contrary position of the Commission and the Council, the Court of Justice took account of the international obligations of the Community, and of the statements of the EC in the WTO, and applied these international obligations.

11. In the case of Regulation 2081/92, the case for an interpretation in the light of the EC's WTO commitments is even clearer. Regulation 2081/92 contains clear references to international obligations, particularly in Article 12(1). In the present proceedings, the EC has unambiguously and publicly explained the interpretation to be given to the contentious provisions of the Regulation. On the basis of the case law of the European Court of Justice, there should be no doubt that the Court will take this into due account in its interpretation of the Regulation.

12. In its second submission, the United States has suggested that the explanations offered by the EC should be disregarded because they "lack legal force". Moreover, the United States has raised the concern that the Council, the "25 Member States" or individuals might contest the "Commission's" interpretation.

13. In this respect, the EC would like to recall once again that the explanations given before this Panel are given on behalf of the European Communities, not of any particular Community institution. Secondly, the question before the Panel involves the interpretation of an act of domestic law within the domestic legal order of the Member concerned. There is therefore no need to create new legal

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<sup>3</sup> Australia's SWS, para. 42.

<sup>4</sup> EC Response to Panel's Question No. 15, para. 32 et seq.; EC, SWS, para. 18 et seq.

<sup>5</sup> EC Response to the Panel's Question No. 15, para. 36.

<sup>6</sup> US SWS, para. 13.

<sup>7</sup> The US has attempted to cast doubt on this fact by pointing out that in the *Petrotub* judgment, the Court of Justice also referred to Article 253 EC Treaty (former Article 190 EC), which lays down the general duty to state reasons for Community legislative acts (US SWS, para. 17-18). The EC fails to see the relevance of this distinction. Whether the Court applied the EC Anti-Dumping Regulation or Article 253 EC Treaty, the fact is that it interpreted EC law in line with the EC's WTO commitments. The fact that it did this even with respect to a provision of EC primary law should strengthen the confidence of the US, not diminish it.

<sup>8</sup> US SWS, para. 14.

obligations, but to establish the proper meaning of the EC measure within the EC legal system. It is not sufficient for the complainants simply to refer to the risk that the interpretation of the Regulation could be contested. In a system based on the rule of law, any legal measure can in principle be contested. However, the question is whether such a challenge would realistically succeed; and this the complainants have failed to show.

14. In its second submission, the United States has also argued that "if a WTO-consistent interpretation is not possible, the ECJ will apply EC law alone".<sup>9</sup> The EC can agree with this statement. However, in its submission, the US is not applying its own standard correctly. It is not sufficient for the complainants to show that a WTO-inconsistent interpretation is possible; rather, they must show that a WTO-consistent interpretation is impossible. As the EC will show with respect to the individual claims, the complainants do not meet this standard.

### **III. REGULATION 2081/92 IS COMPATIBLE WITH NATIONAL TREATMENT OBLIGATIONS, AND DOES NOT IMPOSE A REQUIREMENT OF DOMICILE OR ESTABLISHMENT**

15. The EC will now address the claims that Regulation 2081/92 constitutes a violation of the national treatment provisions of the TRIPS and the GATT, as well as the prohibition on conditions of domicile and establishment in Article 2.2 of the Paris Convention.

#### **A. NATIONAL TREATMENT UNDER THE TRIPS AGREEMENT (ARTICLE 3.1 TRIPS AND ARTICLE 2.1 TRIPS IN CONJUNCTION WITH ARTICLE 2.1 PARIS CONVENTION)**

##### **1. The Meaning and Scope of National Treatment under the TRIPS Agreement**

16. Before addressing the individuals claims of the complainants under the national treatment provisions of the TRIPS Agreement, the EC considers it necessary to comment on the following general points:

- TRIPS national treatment concerns the treatment of nationals;
- Regulation 2081/92 does not discriminate between nationals;
- Regulation 2081/92 does not involve *de facto* discrimination between nationals;
- The fact that different legal provisions apply does not prove that there is less favourable treatment.

(a) TRIPS national treatment concerns the treatment of nationals, not of goods, or of residents

17. As the EC has already set out in its previous submissions, unlike Article III:4 GATT, the national treatment provisions of the TRIPS concern discrimination as between nationals, not between goods, or between residents.<sup>10</sup>

18. In their second submission, the complainants continue to contest this essential difference between GATT and TRIPS national treatment.<sup>11</sup> According to the complainants, the fact that different legal provisions apply depending on the location of the area to which the geographical indication is

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<sup>9</sup> US SWS, para. 16.

<sup>10</sup> EC FWS, para. 104 et seq.; EC SWS, para. 28 et seq.

<sup>11</sup> US SWS, para. 25 et seq.; Australia SWS, para. 182.

related amounts to discrimination between nationals.<sup>12</sup> In the view of the EC, this interpretation is incompatible with the national treatment provisions of the TRIPS Agreement.

19. Article 3(1) of the TRIPS Agreement – and similarly Article 2(1) of the Paris Convention – requires WTO Members to accord to the nationals of other Members treatment no less favourable than to their own nationals. This reference to nationals in the TRIPS Agreement is intentional, and must be given meaning.

20. In their submissions, the complainants fail to provide a meaningful interpretation of this concept. Their argument is that the Regulation requires foreign nationals to become resident or established in the EC, and that because of this requirement, foreign nationals are required to become "EC nationals".<sup>13</sup> This argument is false in two respects. First, as the EC will set out, the Regulation 2081/92 does not contain any requirement of domicile or establishment. Second, even if a foreign national becomes domiciled or established in the EC, this does not mean he becomes an EC national.

21. Nationality on the one hand, and domicile and establishment on the other, are distinct concepts which cannot simply be equated in the way the complainants suggest. For a natural person, a national is a person who holds the nationality of a country in accordance with the laws of that country. Neither in the EC, nor in the United States or Australia, does a person acquire the nationality simply by being a resident. In the same way, the nationality of legal persons is defined using various criteria other than establishment, most importantly the law of incorporation.

22. The fact that nationality and domicile are separate concepts is also borne out in the TRIPS Agreement itself. Several provisions of the TRIPS Agreement, namely Article 24.4, 40.3 and 40.4, refer to "nationals and domiciliaries" in the alternative. If the drafters of the TRIPS Agreement had wanted to refer to both "nationals and domiciliaries" in Article 3.1 TRIPS Agreement, they could very easily have done so. That they did not indicates that TRIPS national treatment was intended to apply as between nationals, not as between domiciliaries. The same also follows from the specific prohibition of conditions of domicile and establishment in Article 2 (2) of the Paris Convention, which otherwise would have been superfluous.

23. The only text in the TRIPS Agreement to which the United States has pointed in support of its interpretation is footnote 1 to Article 1.3 of the TRIPS Agreement. In its second submission, the United States claims again that this provision "would apply to the EC, among other WTO Members".<sup>14</sup> This is manifestly wrong. Footnote 1 defines the term "national" only for separate customs territories, which are part of another State, and which therefore may not have a "nationality". Footnote 1 would therefore seem to apply, for instance, to Chinese Taipei, Hong Kong, China, or Macao, China. It does not apply to the EC, or to other WTO Members which are not separate customs territories.

24. Accordingly, the Panel should find that Article 3(1) TRIPS Agreement requires national treatment as between nationals, not as between domiciliaries or as between goods.

(b) Regulation 2081/92 does not discriminate between nationals

25. Once Article 3(1) TRIPS Agreement is given its proper scope, it is clear that Regulation 2081/92 does not discriminate between nationals.

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<sup>12</sup> The complainants have made similar arguments also as regards the right of objection.

<sup>13</sup> US SWS, para. 29.

<sup>14</sup> US SWS, para. 27.

26. In support of their claims, the complainants have referred in particular to the fact that Regulation 2081/92 contains separate provisions governing the registration of geographical indications, depending on where the geographical area to which the indication is related is located. The US has argued that there is "a close relationship between the geographical area that gives rise to the GI right and the nationality of the right holder".<sup>15</sup> Moreover, the US has argued that "any legal person producing or obtaining agricultural products and foodstuffs in a country will, as a practical and perhaps a legal matter, become a juridical person of that Member".<sup>16</sup>

27. The EC submits that these statements are unsupported by fact. Regulation 2081/92 does not contain any requirements as regards the nationality of producers which produce products bearing a protected name. It is not enough for the US to state that this is "perhaps a legal matter". It should state where, in the measure at issue, namely Regulation 2081/92, there is a requirement as to the nationality of producers.

28. In this context, it may be important to know for the Panel that there are cases where non-EC companies have become producers of products bearing a protected name under Regulation 2081/92. Some examples of which the EC is aware, but which are presumably not exhaustive, are the following:

- In 1996, Sara Lee, a large US multinational, acquired Al Ponte Prosciutti, which produces Prosciutto di Parma (Exhibit EC-61).
- From 1985 to 2003, Kraft Foods, a large US multinational, owned Invernizzi, an Italian company which produces among other products Gorgonzola and Grana Padano (Exhibit EC-62).
- Until 2000, Nestlé, a large Swiss multinational, used to own Vismara, an Italian company which produces among others Prosciutto di Parma (Exhibit EC-63).

29. These cases show clearly that non-EC companies may become producers of products bearing a protected name under Regulation 2081/92. In its second submission, the EC has also shown similar examples from the area of wines and spirits.<sup>17</sup> Whether and to which extent foreign nationals become producers of such products may depend on business interests, and to some extent on coincidence. It has nothing to do with Regulation 2081/92, which is entirely neutral as to the nationality of producers.

30. The complainants might argue that even where a foreign company acquires an EC producer, or establishes itself as a producer, it is likely to do this through a European subsidiary. However, even if, as a practical matter, this were true in certain cases, it is still not attributable to Regulation 2081/92, which is the measure before this Panel.

31. Accordingly, the Panel should find that Regulation 2081/92 does not constitute discrimination between nationals.

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<sup>15</sup> US, SWS para. 26.

<sup>16</sup> US, SWS para. 32 (emphasis added). As for Australia, Australia's arguments seem to be limited to noting that 10 headlines in the EC's first submission use the word "national" (cf. Australia's SWS, para. 182). The EC would comment that this is hardly surprising, given that these headlines restated the claims of the complainants.

<sup>17</sup> EC SWS, para. 46.

(c) Regulation 2081/92 does not involve *de facto* discrimination between nationals

32. The EC would like to emphasize that if Regulation 2081/92 does not involve discrimination of nationals *de jure*, it also does not do so *de facto*.

33. As the EC has set out in its earlier submissions, *de facto* discrimination is a concept which is closely related to preventing circumvention of national treatment obligations.<sup>18</sup> A good complying with the product specifications of a protected geographical indication will originate in the geographical area to which the indication is related. As a consequence, any discrimination on the basis of whether the geographical indication is located in the EC or abroad would be discrimination between foreign and domestic products. The EC sees therefore no reason to extend TRIPS national treatment to a situation which by definition is covered by Article III:4 GATT.

34. In its second submission, the United States has referred to the Panel Report in *US – Section 337*, in which the Panel held that procedures in principle applying to persons can still involve a discrimination of goods of foreign origin.<sup>19</sup> However, this report hardly supports the US view. First, in the present case, the submission of the complainants is the reverse of the conclusions in *US – Section 337*, namely that even though covered by Article III:4 GATT, an alleged discrimination between products should also be considered discrimination between nationals. Second, *US – Section 337* was decided under the GATT 1949 at a time when the TRIPS Agreement did not yet exist. Accordingly, the question of how TRIPS and GATT national treatment relate was not an issue before that Panel.

35. In its submission, as an example for a *de facto* violation of TRIPS national treatment, the United States has constructed a case where all patents first filed abroad are subjected to higher fees.<sup>20</sup> Once again, this example does nothing to support the US arguments in the present case. In the US example, the fees for the registration of patents are not related to the origin of products. Accordingly, such a case would not fall under Article III:4 GATT, and a case for a *de facto* application of TRIPS national treatment might possibly be made. This is different from the present case, which clearly falls under Article III:4 GATT.

36. The US has attempted to dismiss the EC's arguments by stating that there is no reason why the national treatment obligations of the GATT and the TRIPS should not apply simultaneously.<sup>21</sup> At a general level, it is of course true that obligations arising under several covered agreements can apply simultaneously. Still, the US argument is too superficial. In particular, the US overlooks Article II:2 of the WTO Agreement, according to which both the TRIPS and the GATT are integral parts of the WTO Agreement, i.e. of one single international agreement. As the Appellate Body has stated repeatedly, the covered agreements must therefore be interpreted as a whole, and "in a way that gives meaning to all of them, harmoniously".<sup>22</sup> For the same reason, the Panel in *Indonesia – Autos* found that there is a presumption against conflict between the covered agreements.<sup>23</sup>

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<sup>18</sup> EC Response to Panel's Question No. 29, para. 67 et seq; EC SWS, para. 49.

<sup>19</sup> US SWS, para. 38-39.

<sup>20</sup> US SWS, para. 40.

<sup>21</sup> US SWS, para. 42.

<sup>22</sup> Appellate Body Report, *Argentina – Footwear (EC)*, para. 81; Appellate Body Report, *Korea – Dairy*, para. 81.

<sup>23</sup> Panel Report, *Indonesia – Autos*, para. 14.28. The US has argued that the report of the Panel in *Indonesia – Autos*, which cautioned against an extensive interpretation of TRIPS national treatment, is not relevant to the present case because it dealt with measure of support not relating to intellectual property (US SWS, para. 43). However, the US overstates the difference between this case and the present. The Panel in *Indonesia – Autos* was concerned with the maintenance of an intellectual property right, namely a trademark. The only difference was that the Panel did not consider specifically the relationship of TRIPS national treatment to Article III:4 GATT, but to other disciplines of the covered agreements. However, in carrying out its analysis,

37. The interpretation of the complainants is not in line with these principles. It is not a harmonious interpretation to needlessly enlarge the scope of TRIPS national treatment to overlap with GATT national treatment. In addition, there are important structural differences between the GATT and the TRIPS. For instance, the TRIPS Agreement does not contain any provision corresponding to Article XX GATT. It would not seem appropriate that a measure discriminating between goods which is justified on the basis of Article XX GATT would nonetheless be found incompatible with the covered agreements on the simple basis of a *de facto* application of TRIPS national treatment.<sup>24</sup>

38. Accordingly, the Panel should not find that Regulation 2081/92 involves *de facto* discrimination between nationals.

(d) The fact that different legal provisions apply does not prove that there is less favourable treatment

39. Throughout its submission, the United States has argued that because there are different provisions governing the registration of geographical indications depending on where the geographical area is located, the EC is applying "differential treatment", and has called on the EC to show that, despite such differences, the no less favourable standard is met.<sup>25</sup> The US has also made similar suggestions with respect to the right of objection.<sup>26</sup>

40. The EC strongly contests this attempt by the United States to shift the burden of proof. In *Korea – Various Measures on Beef*, the Appellate Body stated clearly that a formal difference in treatment is not sufficient to show that there is less favourable treatment.<sup>27</sup> Accordingly, the US must do more than just show that the registration of EC and foreign geographical indications is dealt with in different provisions. It must show that there is a substantive difference between these provisions, and that this difference entails less favourable treatment of foreign nationals.

41. In support of its statement, the United States<sup>28</sup> has referred to the Panel Report in *US – Section 337*, where the Panel stated that where "different provisions" apply, it is incumbent on the contracting party applying "differential treatment" to show that in spite of such differences, the no less favourable standard is met.<sup>29</sup> However, it does not appear that the Panel in this case meant to say to a formal difference in treatment would entail "differential treatment", and thus entail a reversal of the burden of proof. Moreover, if this is what it meant, then this is certainly not in line with the case law of the Appellate Body, which has not linked such consequences to a formal difference in treatment.<sup>30</sup>

42. It should also be noted that the United States argument is inconsistent with its own submissions on other claims. As a matter of fact, the United States does not want formally equal treatment for foreign geographical indications, but differential treatment. For instance, the United States argues that unlike EC geographical indications, foreign geographical indications should not

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the Panel clearly recognised that the need for a harmonious and coherent interpretation of the covered agreements which required caution with respect to a *de facto* application of Article 3.1 TRIPS.

<sup>24</sup> The EC is not taking a view on the complex legal issue of whether Article XX GATT may be of relevance in connection with the TRIPS Agreement. However, the interpretation of TRIPS national treatment put forward by the complainants inevitably would raise this complex systemic question.

<sup>25</sup> US SWS, para. 25, 46, 70, 88.

<sup>26</sup> US SWS, para. 86.

<sup>27</sup> Appellate Body Report, *Korea – Various Measures on Beef*, para. 137.

<sup>28</sup> US SWS, para. 46.

<sup>29</sup> Panel Report, *US – Section 337*, para. 5.11.

<sup>30</sup> It is interesting to note that in *Korea – Various Measures on Beef*, para. 136, the Appellate Body omits from its quotation the last two sentences of para. 5.11 of the Panel Report in *US – Section 337*. It appears that this omission is deliberate.

have to satisfy the requirement of inspection structures. Similarly, the United States argues that unlike for EC geographical indications, requests for the registration of foreign geographical indications should not have to be submitted through the government of the country in which the area is located. Accordingly, the submission of the United States would appear to be that there is formally equal treatment, but that this formally equal treatment nevertheless involves less favourable treatment.

43. Accordingly, the burden of proof that Regulation 2081/92 involves less favourable treatment is on the US, not on the EC.

**2. Claim 1: Non-EC nationals are accorded less favorable treatment than EC nationals with respect to the registration of geographical indications through the application of a condition of reciprocity and equivalence**

44. We will now turn to the individual claims of the United States and Australia regarding TRIPS national treatment. The first claim is that by subjecting the registration of geographic indications from other WTO members to "conditions of reciprocity and equivalence", Regulation 2081/92 violates the national treatment provisions of Article 3.1 TRIPS and 2.1 Paris Convention.

45. In its submissions to the Panel, the EC has already confirmed that it does not apply such conditions to the registration of geographical indications from other WTO Members.<sup>31</sup> The EC, in particular, has explained that the application of these conditions to WTO Members is in fact excluded by the introductory language of Article 12(1) of Regulation 2081/92, which provides that these conditions apply "without prejudice to international agreements". The EC has also explained that this reference to international agreements requires in particular that the EC's WTO obligations be taken into account. As the EC has said earlier, this is fully in line with the jurisprudence of the Court of Justice, according to which EC law must be interpreted consistently with international law.

46. In their second submissions, the complainants have not advanced many new arguments which have not already been responded to by the EC. The EC can therefore limit itself to a few additional remarks.

47. In its second submission, the United States has argued that even if Article 12(1) did not apply to WTO Members, the EC could still not register geographical indications from other WTO Members because Article 12a (1) provides for such a registration procedure "in the case provided for in Article (12)(3)".<sup>32</sup> The US has claimed that because of this, "there is no registration procedure at all in the EC GI Regulation for non-WTO Members".<sup>33</sup>

48. These US arguments do not do justice to the content and objectives of Regulation 2081/92. First of all, the US overlooks that the "without prejudice" clause in Article 12(1) applies to the conditions set out in this Article only. It does not exclude the applicability of the registration procedures set out in Article 12a. Obviously, if the conditions of Article 12(1) do not apply because they would prejudice an international agreement, then the consequence cannot be that the registration procedures of Regulation 2081/92 do not apply. This would be a nonsensical result, which would not be in accordance with the requirement to interpret the EC legislation in accordance with WTO obligations. As the EC has already explained in response to the Panel's questions, the reference to the procedure of Article (12)(3) is therefore relevant only where the conditions of Article 12(1) are applicable.<sup>34</sup>

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<sup>31</sup> Cf. in particular EC SWS, para. 51 et seq.

<sup>32</sup> US SWS, para. 8, 21.

<sup>33</sup> US SWS, para. 21.

<sup>34</sup> EC Response to Panel's Question No. 7, para. 17.



49. In its second submission, Australia has concentrated less on the text of Regulation 2081/92, and more on the various statements that the EC is alleged to have made in the past. However, in its second written submission, the EC has already discussed most of these statements, and has shown that they are not relevant for the interpretation of Article 12(1) of Regulation 2081/92.<sup>35</sup>

50. Finally, it is important for the Panel to be aware that the European Commission has issued a 2<sup>nd</sup> edition of its Guide to Regulation 2081/92 (Exhibit EC-64).<sup>36</sup> This 2<sup>nd</sup> edition contains also a specific section on the interpretation of geographical indications related to areas located outside the EC. In this guide, it is explained that the conditions of Article 12(1) do not apply to other WTO Members.<sup>37</sup>

51. Accordingly, since the EC does not apply conditions of reciprocity and equivalence to the registration of geographical indications from other WTO Members, the claim should be rejected.

**3. Claim 1bis: Regulation 2081/92 violates the national treatment obligations under the TRIPS Agreement by requiring the existence of inspection structures with respect to the specific product for which protection is requested**

52. It has become clear that the United States is also claiming that the requirement that inspection structures must exist for each protected name is in violation of TRIPS national treatment obligations. Australia has made no such claim under TRIPS, but has made a similar claim under the GATT.

53. In its second submission, the EC has explained in detail that the requirement of inspection structures represents equal, not unequal treatment; that the requirement of inspection structures does not require "equivalence by another name"; that Regulation 2081/92 does not impose an "EC model" of inspection structures; and that existence of inspection structures is necessary for attaining the objectives of Regulation 2081/92.<sup>38</sup> In its present statement, the EC will therefore only respond to a number of erroneous arguments of the United States, and similarly, by Australia in the context of its claims under the TBT Agreement.

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<sup>35</sup> EC SWS, para. 78 et seq. About the only document on which the EC has not yet commented is the Opinion of the European Parliament's Agriculture and Rural Development Committee, to which Australia refers in its second submission (Australia's SWS, para. 36). In this respect, it should first be recalled that according to the Panel Report in *US – Taxes on Automobiles*, para. 5.12, the assessment of the aim of a legislative act should not be based only on statements of legislators or other preparatory work, but on the wording of the legislation as a whole. Second, the statement in the Committee's report, which concerned Regulation 692/2003, did not concern the "without prejudice" language, in Article 12(1), which was not the subject of the amendment. Third, Australia fails to quote the opinion of the Committee on Legal Affairs and the Internal Market, contained in the same report, which does recall that the conditions of reciprocity and equivalence apply "without prejudice to the international agreements in force" (Exhibit COMP-14, p. 23). Finally, it should be generally noted that individual committees of the Parliament do not represent the opinion of the European Parliament as a whole, and frequently give divergent opinions. Moreover, particularly where the European Parliament is only consulted, they cannot be regarded as giving an authoritative statement of the intention of the legislator.

<sup>36</sup> This new edition replaces the version referred to by the US as Exhibit US-24.

<sup>37</sup> Cf. Exhibit EC-64, p. 18: "However, the conditions in Article 12(1) of Regulation (EEC) no. 2081/92 are without prejudice to international agreements. Relevant international agreements include the WTO Agreements, in particular the TRIPS Agreement. Since under the TRIPS Agreement, WTO Members are obliged to provide protection to geographical indications, the conditions set out in Article 12(1) do not apply to WTO Members. Accordingly, an application for registration of a PGI or PDO relating to an area located in a WTO Member may be made without a prior Commission decision on the basis of Article (12)(3) of Regulation (EEC) no. 2081/92."

<sup>38</sup> EC SWS, para. 91 et seq.

(a) The requirement of inspection structures does not require "equivalence by another name"

54. In its submission, the EC has already explained that the requirement of inspection structures is not "equivalence by another name", but rather is a requirement that is applied on a product-specific basis for each product for which protection is sought.<sup>39</sup>

55. In its second submission, the US continues to submit that the requirement of inspection structures is "a requirement for a broad inspection structure capable of performing this function for all agricultural products and foodstuffs".<sup>40</sup> The EC notes that Australia has explicitly not shared this view of the US.<sup>41</sup>

56. In fact, the United States interpretation is incompatible with both the wording and the application in practice of Regulation 2081/92. Nowhere in the Regulation does it say that when transmitting an application for registration of a geographical indication, a WTO Member must show the existence of "a broad inspection structure capable of performing this function for all agricultural products and foodstuffs". Article 12a(2) merely requires the declaration that the inspection structures by Article (10)(1) are in place.

57. Article 10(1), in turn, requires that the necessary inspection structures exist to ensure that agricultural products and foodstuffs bearing a protected name meet the requirements laid down in the specification. Article (10)(1) refers to "structures" in the plural. Nothing in Article (10)(1) therefore requires one single structure; it is entirely imaginable that in one state, several structures might co-exist. Moreover, Article (10)(1) requires inspection structures only for products "bearing a protected name", not for "all" agricultural products or foodstuffs as the US suggests.

58. Should there have been any doubt left about the interpretation of Regulation 2081/92, the practical application of the Regulation should have dispelled it. The EC has already provided the Panel with the latest publication of the inspection bodies existing in the Member States of the Community.<sup>42</sup> As is obvious from this publication, there is not a single Member State in which one single "broad inspection structure" exists. Rather, all Member States have a multitude of inspection bodies showing a considerable variety of designs, and mixing private and public elements.<sup>43</sup>

59. Accordingly, it is clear that the requirement of inspection structures is not "equivalence by another name", but is applied on a product-specific basis.<sup>44</sup>

(b) Regulation 2081/92 does not impose an "EC model" of inspection structures, and is not unduly prescriptive

60. Despite their frequent reference to an "EC model" of inspection structures imposed by the Regulation, the United States and Australia have so far not been able to identify clearly what aspects of the EC requirements they consider objectionable.

61. In its second submission, the United States now argues that the "pertinent issue" is not which aspects of the inspection structures are objectionable, but whether the EC can demand "the

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<sup>39</sup> EC SWS, para. 96 et seq.

<sup>40</sup> US SWS, para. 53.

<sup>41</sup> Australia's SWS, para. 216.

<sup>42</sup> Exhibit EC-48.

<sup>43</sup> This practice has been entirely consistent since the beginning of the implementation of the Regulation. For further information of the Panel, the EC also attaches the first publication of inspection bodies dating from 1996 (Exhibit EC-65).

<sup>44</sup> This is also confirmed by the Guide to Regulation 2081/92 (Exhibit EC-64, p. 23).

establishment of the same particular inspection structure that the EC has chosen for itself".<sup>45</sup> The EC must say that it does not understand how the United States can complain about having to adopt "the same" structures if it is not able to say in which way the structures should be different.

62. Presumably conscious of this contradiction, the US now attempts to identify certain aspects that would be objectionable. In particular, the US complains about the requirement in Article 10 (3) that inspection bodies must permanently "have at their disposal the qualified staff and resources necessary to carry out inspections".<sup>46</sup> A similar argument has also been made by Australia in the context of its claim under the TBT Agreement.<sup>47</sup> Secondly, the US questions why the inspection structure must be independent from the producers which it inspects.<sup>48</sup>

63. As regards the requirement that inspection bodies must permanently have at their disposal the necessary qualified personnel, the EC fails to see what should be objectionable about this. In fact, the EC notes that this requirement corresponds closely to §205.501 of the Regulations of the US Organic Program (Exhibit EC-55), which require that certifying agents "must use a sufficient number of adequately trained personnel". It is obvious that inspections cannot be carried out without qualified personnel. Moreover, the Regulation does not specify how much personnel is necessary, during which periods it should be employed, and whether such employment should for instance be full-time or part-time. All that is required is that the "necessary" personnel is at the disposal of the inspection body. What this means has to be decided for each specific inspection structure in the concrete circumstances. The Regulation is thus not overly prescriptive.<sup>49</sup>

64. As regards the US argument that inspection bodies should not be required to be independent of producers, the EC finds this wholly unconvincing. If inspection structures are to deserve their name, they have to be objective and impartial as regards producers. It is noteworthy that in the context of its organic program, the US follows exactly the same logic by requiring that certifying agents should prevent conflicts of interest with respect to producers and handlers, and should exclude any person with a conflict of interest from the certification process (§ 205.501 (a) (10) and (11), Exhibit EC-55).

(c) The existence of inspection structures is necessary for attaining the objectives of Regulation 2081/92

65. The real issue before this Panel is therefore not the precise nature of the inspection structures, but that the EC requires such inspection structures at all.

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<sup>45</sup> US SWS, para. 49 (emphasis added).

<sup>46</sup> US SWS, para. 53.

<sup>47</sup> Australia's SWS.

<sup>48</sup> US SWS, para. 57. The US also claims that inspection bodies must comply with the European standard for inspection bodies (EN 45011 – Exhibit EC-2). However, it follows clearly from Article 10 (3) of Regulation 2081/92 that compliance with an equivalent international standard is sufficient. In its first written submission, the EC has already identified ISO/IEC Guide 65: 1996 as such an equivalent standard (EC FWS, para. 54 and Exhibit EC-3).

<sup>49</sup> Australia has argued that in certain cases, it may not be necessary for inspection bodies to have personnel "permanently" at their disposal, for instance where there is a particular harvest season. Although this is certainly not the rule, the EC does not exclude that there might be products for which the entire production process is confined to a part of the year, and for which therefore the need for inspections arises only or primarily during that time of the year. In this case, the Regulation 2081/92 does not require unnecessary levels of staff to be maintained throughout the year. In fact, since it is presumably not economic to establish and wind down an inspection body every year, in such a case it would be reasonable to entrust the function of inspections to a body which also carries out tasks other than inspections under Regulation 2081/92. In its second submission, the EC has pointed to the existence of private firms which can carry out such tasks (EC SWS para. 107 and Exhibits EC-49 and EC-50).

66. In this context, the United States has referred to its system of certification marks and collective marks, and argued that the owner of the private rights are in the best position to ensure that the marks are used in manner consistent with their specifications.<sup>50</sup> This appears somewhat similar to the arguments made by Australia, which has argued that the application of unfair competition law may be sufficient to prevent the misuse of protected geographical indications.<sup>51</sup>

67. At the outset, the EC would remark that this US position contradicts earlier statements made by the US according to which "normally, a private individual is not in the best position" to control the use of a certification mark.<sup>52</sup> The EC finds it therefore surprising, and contrary to US practice, that the United States is now arguing that certification marks and collective marks can be enforced efficiently purely at the initiative of the owner of the mark.<sup>53</sup>

68. Moreover, in response to the arguments of Australia, the EC has already explained that the application of unfair competition law does not provide the same degree of protection and assurance to producers and consumers as the EC system.<sup>54</sup> These arguments apply equally if the United States now argues that geographical indications should be protected purely through the initiative of the owner of the certification mark or collective mark. As in the case of the application of unfair competition law, the enforcement of marks depends on the initiative of the owner of the mark. Accordingly, the control and monitoring is by definition intermittent and varying, and will not provide a full degree of assurance to producers and consumers.

69. The United States has put a certain emphasis on the fact that collective marks and certification marks are private rights. However, whether the rights are private is not the question. Like geographical indications, collective marks and certification marks remain collective rights, and are used by a potentially large number of producers. It cannot simply be assumed that because these collectives rights are "private", their enforcement and protection would necessarily be as efficient as the one provided through Regulation 2081/92.

70. Once again, the EC would like to emphasize that it is not contesting the right of the United States to protect geographical indications in its territory through a system of certification marks or collective marks. However, it seems that it is not the EC which is trying to "impose" its system on the US, but the US and Australia which are trying to impose their system on the EC. By requiring the EC to protect US or Australian geographical indications without requiring inspection structures, the EC would essentially have to lower its level of protection of geographical indications to that of the US and Australia. This would be incompatible with Article 1.1 TRIPS Agreement, which allows the EC to provide a higher level of protection to geographical indications than that required by the TRIPS Agreement.

71. Accordingly, this claim should be rejected.

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<sup>50</sup> US SWS, para. 51.

<sup>51</sup> Australia's SWS, para. 220.

<sup>52</sup> Cf. EC FWS, para. 496.

<sup>53</sup> In this context, the EC would like to recall that it has not ruled out that the owner of a certification mark might fulfil the requirements of Article 10 of Regulation 2081/92 (EC Response to Panel's Question No. 59, paras. 130-131). However, whether these requirements are met, and in particular whether the necessary objectivity and impartiality with regard to producers is ensured, would have to be evaluated on a case by case basis.

<sup>54</sup> EC SWS, para. 114 et seq.

**4. Claim 2: Regulation 2081/92 violates the national treatment obligations under the TRIPS and the Paris Convention by requiring that applications must be transmitted by the country in which the geographical area is located**

72. In its previous submissions, the EC has responded in detail to the claim that Regulation 2081/92 violates the national treatment obligations under TRIPS and the Paris Convention by requiring that applications must be transmitted by the country in which the geographical area is located. In particular, the EC has explained that this requirement for the involvement of the country to whose territory the geographical indication is related constitutes equal, not unequal treatment, that this involvement is indispensable for the proper implementation of Regulation 2081/92, and that this requirement does not impose any undue burden on third country governments.<sup>55</sup>

73. In its second submission, the United States<sup>56</sup> fails to provide a convincing response to the EC's arguments. The United States continues to argue that the EC's requirements are unwarranted because in the United States, geographical indications are protected through collective marks and certification marks, and because the US government therefore "does not have any specialized knowledge that would render it better qualified than the rightholder or the EC".<sup>57</sup>

74. These arguments are remarkable. The EC would like to recall that according to Article 24.9 TRIPS, the EC is not obliged to protect geographical indications which are not protected in their country of origin. Now, whether a geographical indication relating to US territory is protected in the US is clearly a question of US law. It is not unreasonable for the EC to request the cooperation of the US on such a question of US law. In contrast, it is simply not credible for the United States to pretend that it does not have any greater experience on questions of US law than the EC, and that therefore the EC should resolve these questions for itself.

75. The United States has also argued that it is in no position to make a determination on whether a US geographical indication has a reputation in the EC market.<sup>58</sup> With due respect, this is besides the point. Obviously, the EC does not expect the US to make a determination about reputation in the EC market. However, first of all, the protection of geographical indications is not just based on reputation, but also on whether products have a particular quality or other characteristics attributable to their geographic origin. Since the geographical origin is in the United States, that question should be one which the United States is best placed to evaluate. Second, where the protection is based on reputation of a geographical indication, that reputation must also be based on its geographical origin. Since this origin is in the US, one would normally expect the geographical indication to have a reputation in the US market. This, once again, is a question which the US is best placed to evaluate.

76. Finally, the United States has argued that it protects foreign geographical indications in the US as collective marks or certification marks without the intercession of foreign governments.<sup>59</sup> This argument is without merit. First, whether the United States protects geographical indications as marks irrespective of whether they are protected in their country of origin is a matter for the United States, but irrelevant in the present context. Second, it should be noted that even as regards the registration of marks, Article 6 (A) (a) *quinquies* of the Paris Convention explicitly permits the registering country to request a certificate of registration issued by the country of origin. Finally, at least as regards

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<sup>55</sup> EC SWS, para. 122 et seq.

<sup>56</sup> Australia has made no such claim under the TRIPS Agreement, but has raised similar claims under Article III:4 GATT. In its second submission, however, Australia has not provided any substantive response to the arguments of the EC on this claim (Australia's SWS, para. 177-181). Accordingly, Australia's corresponding claims should also be rejected.

<sup>57</sup> US SWS, para. 73.

<sup>58</sup> US SWS, para. 73.

<sup>59</sup> US SWS, para. 73.

geographical indications from the EC, which has a specific registration system, the question of whether a geographical indication is protected in the EC is fairly easy to ascertain. As the United States has itself acknowledged, this is not as obvious for US geographical indications, given the absence of a specific system of protection in the US. It is unreasonable for the United States to try to devolve these difficulties on other governments.

77. Accordingly, claim 2 should be rejected.

**5. Claim 3: Non-EC nationals are accorded less favorable treatment than EC nationals with respect to the requirement to indicate the country of origin for homonymous geographical indications**

78. According to the United States, the requirement in Article 12(2) of Regulation 2081/92 to indicate the country of origin for homonymous geographical indications constitutes a violation of national treatment provisions under TRIPS and the Paris Convention.<sup>60</sup>

79. In its previous submissions, the EC has already explained that Article 12(2) does not apply to all foreign geographical indications, but only to the names in the specific situation of the first subparagraph, and that it requires the indication of the country of origin for both EC and third country names, depending on which geographical indication has been protected earlier. Accordingly, Article 12(2) of the Regulation treats geographical indications from the EC and third countries alike.<sup>61</sup>

80. In its second submission, the United States continues to contest even the first premise of the EC's arguments, namely that Article 12(2) applies only to homonymous geographical indications.<sup>62</sup> The EC is unable to understand the basis for the United States' view. The second subparagraph of Article 12(2) refers clearly to "such names", i.e. the homonymous names referred to in the first subparagraph. There is no ambiguity about this in the Regulation. Indeed, the US view seems to be inspired more by a desire to find fault with the EC measure than by the text of the EC measure.

81. As regards the second element of the EC's response, the EC's interpretation is clearly borne out by the wording of Article 12(2) of Regulation 2081/92, which refers to "protected names" both from the EC and from third countries. As its only counter-argument, the US has argued that Article (12)(2) seems to be "directed at the authorisation of third country GIs". However, there is nothing in the wording of the provision to prevent it from applying to geographical indications from both third countries and from the EC.

82. Interestingly, this point seems to have been recognised by Australia, which has argued that the expression "Community protected name" in Article (12)(2) should be read also to include names from third countries under the GI regulation.<sup>63</sup> This is not the interpretation of the EC. However, if indeed this were the correct interpretation, then surely the expression "protected name of a third country" should similarly be interpreted to include names protected in a third country regardless of whether they are from a third country or the EC. In this case, Article (12)(2) once again would not result in any discrimination.<sup>64</sup>

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<sup>60</sup> Australia has not made such a claim under TRIPS, but has made a similar claim under Article 2.1 TBT Agreement. In its second submission, apparently unsure of this legal basis, Australia has now raised such a claim also under Article III:4 GATT, but still not under the TRIPS Agreement (cf. Australia's SWS, para. 179).

<sup>61</sup> EC SWS, para. 143 et seq. This interpretation is also confirmed in the Guide to Regulation 2081/92 (Exhibit EC-64, p. 21).

<sup>62</sup> US SWS, para. 76.

<sup>63</sup> Australia's SWS, para. 65.

<sup>64</sup> In addition, the complainants have argued that Article 6 (6) of Regulation 2081/92 would be applicable to the registration of a geographical indication from the EC which is homonymous with an already

83. Finally, the EC would remark that it does not see in which way a requirement to truthfully indicate the origin of a product constitutes less favourable treatment. In this context, the EC also notes that the complainants have not yet provided any response as to how their claims under the TRIPS Agreement relate to Article IX:1 of the GATT, which explicitly excludes origin marking requirements for imported goods from national treatment obligations. The EC will comment on this question in more detail in response to the complainants' claims under the GATT.

84. In conclusion, this claim should be rejected.

**6. Claim 4: Regulation 2081/92 accords less favourable treatment to non-EC nationals by subjecting the right to object to the registration of geographical indications to conditions of reciprocity and equivalence**

85. The United States has claimed that only nationals from WTO member countries recognised in accordance with Article 12(3) of Regulation 2081/92 as fulfilling the conditions of reciprocity and equivalence may object to registrations of geographical indications.

86. As the EC has set out in its previous submissions, it is clear from the explicit reference to WTO Members in Article 12d(1) and 12b(2) of the Regulation that WTO Members are not subject to the procedure of Article 12(3) applicable to other third countries.<sup>65</sup> Still, in its second submission, the US argues that the Regulation requires persons to reside in the EC "in order to object under Article 7 objection procedures".<sup>66</sup>

87. This argument is manifestly unfounded. Persons resident or established in the US can object to the registration of EC geographical indications under the procedures of Article 12d(1) or 12b(2). The US has failed to explain in which way this procedure is different from the one available to persons resident or established in the EC. As said earlier, the fact that a different legal provision applies does not show that there is differential treatment.<sup>67</sup> In fact, it is the US which argues that unlike for EC residents, its residents should not be required to have to transmit objections through the US government. Accordingly, it is the US which wants differential treatment, while the EC measure provides equal treatment.

88. Claim 4 is unfounded and should be rejected.

**7. Claim 5: Regulation 2081/92 accords less favourable treatment to non-EC nationals by requiring their own country to transmit the objection**

89. With claim 5, the complainants have claimed that Regulation 2081/92 accords less favourable treatment to non-EC nationals by requiring their own country to transmit the objection.

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registered geographical indication from a third country. The EC does not agree. However, even if the complainants were right, the results would be not different. As a precondition for the registration of homonymous geographical indications, Article 6(6) requires "a clear distinction in practice". Where two homonymous geographical indications are from different countries, this will require the indication of origin. Accordingly, even if Article 6(6) did apply, there still would be no difference in treatment.

<sup>65</sup> EC FWS, para. 140; EC SWS, para. 150 et seq.

<sup>66</sup> US SWS, para. 86.

<sup>67</sup> In passing, it should be noted that objections to geographical indications from outside the EC are covered by Article 12b(2) both for EC and foreign residents.

90. This claim is equally unfounded. As the EC has already explained, this requirement applies both to persons resident or established in the EC or in third countries and is neither unreasonable nor unduly burdensome for third countries.<sup>68</sup>

91. In their second submissions, the United States and Australia have offered almost no arguments in support of this claim.<sup>69</sup> In particular, they do not acknowledge the difference in the requirements for the transmission and verification of applications for registration, on the one hand, and the transmission of objections, on the other.

92. In fact, the United States seems to suggest that third country governments must verify the admissibility of the statement of objection on the basis of the criteria set out in Article 7(4) of the Regulation.<sup>70</sup> This is not true. In its submissions, the EC has clearly explained that Articles 12b(2) and 12d(1) do not require the third country government to verify the admissibility of the objection.<sup>71</sup>

93. Accordingly, the transmission of objections is, as the US has itself acknowledged,<sup>72</sup> a "purely ministerial act" which should not pose any particular problem to the government of any WTO Member, including the United States and Australia. The only way in which US or Australian residents could be prejudiced would be by the unwillingness of their governments to transmit such objections. However, such a problem would not be attributable to the EC, and can therefore not be argued to constitute less favourable treatment by the EC.

94. Accordingly, claim 5 is equally unfounded.

**8. Claim 6: Regulation 2081/92 accords less favourable treatment to non-EC nationals by requiring non-EC national to have a "legitimate interest" to object to the registration of geographical indications**

95. In its second submission, the US continues to claim that Article 12d(1) of Regulation 2081/92 accords less favourable treatment to non-EC residents by requiring non-EC residents to have a "legitimate interest" to object to the registration of geographical indications, whereas as regards EC residents, Article 7(3) requires that they be "legitimately concerned".<sup>73</sup>

96. In its submissions, the EC has already shown that there is no substantive difference between the term "legitimate interest" used in Article 12d(1) of Regulation 2081/92 and the term "legitimately concerned" in Article 7(3).<sup>74</sup> The EC would have expected this to be obvious enough, but apparently, for the United States it is not. Therefore, the EC will make two additional remarks.

97. First, it is important to note that Article 12b(2), which concerns objections to registrations of third country geographical indications, and which applies for residents of the EC and WTO Members, also requires a "legitimate interest". If the United States were right, and "legitimate interest" were a more demanding standard than "legitimately concerned", this would mean that EC residents could object to the registration of third country geographical indications under stricter conditions than to the registration of EC geographical indications. This would be an odd result.

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<sup>68</sup> EC SWS, para. 154 et seq.

<sup>69</sup> Cf. Australia's SWS, which merely refers to a requirement for the "involvement" of another WTO Member without distinguishing between applications and objections, and without answering any of the EC's arguments.

<sup>70</sup> US SWS, para. 66.

<sup>71</sup> EC Response to Panel's Question No. 34, para. 86; EC SWS, para. 155.

<sup>72</sup> US Response to Panel's Question No. 38, para. 74.

<sup>73</sup> US SWS, para. 87-88.

<sup>74</sup> EC FWS, para. 78, 150-152; EC SWS, para. 160 et seq.



98. Second, reference should also be made to the French and Spanish versions of Regulation 2081/92, which are equally authentic. In fact, in the French version, Articles 7(3), 12b(2) and 12d(1) uniformly use the expression "legitiment concerné". The Spanish version in both Articles 7(3) and 12d(1) uses the expression "legítimamente interesada", whereas Article 12b(2) uses, without any difference in meaning, the expression "legítimamente afectada".

99. In conclusion, the difference between "legitimately concerned" and "legitimately interested" is a mere difference of drafting specific to the English text of the Regulation, which does not entail any difference in meaning. Accordingly, the Panel should reject the US claim.

**9. Claim 7: Regulation 2081/92 accords less favourable treatment because a non-EC rightholder has no "representative" in the regulatory committee to "speak for him"**

100. Australia has argued that Regulation 2081/92 accords less favourable treatment because a non-EC rightholder has no "representative" in the regulatory committee to "speak for him". In its second submission, Australia has provided no further arguments to substantiate its claim.<sup>75</sup> Accordingly, Australia's claim should be dismissed.

**10. Claims 8 and 9: A right of objection was available to persons resident or established in an EC Member State that was not available to other WTO Member nationals**

101. Australia has claimed that there is a violation of national treatment in the fact that a right of objection was available to persons resident or established in an EC Member State that was not available to other WTO Member nationals in respect of the registration of more than 120 geographical indications under the normal registration process (Claim 8). Australia has also raised a similar claim with respect to the absence of an objection procedure under the simplified procedure which used to be provided for in Article 17 of Regulation 2081/92 (Claim 9).<sup>76</sup>

102. In its prior submissions, the EC has already explained why these claims must fail.<sup>77</sup> First, as regards Regulation 2081/92 itself, the claims relate to a measure which was no longer in force at the time of establishment of the Panel, and which is therefore not within the terms of reference of the Panel. Second, as regards the individual registrations, even if considered to be within the Panel's terms of reference, they are not in violation of national treatment obligations.

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<sup>75</sup> Instead, Australia has engaged, over a length of two and a half pages, in a discussion of the EC's "Article 15 decision making process", which culminates in the statement that the EC "has not disproved the factual premise informing Australia's claims" that the Committee and/or the Council "participate in the decision-making process under Regulation 2081/92" (Australia's SWS, para. 59). The EC wonders why it should "disprove" this "factual premise" given that it never contested that the Council and/or the Committee participate under certain conditions in the decision-making process under the Regulation. What the EC did have to correct was the rash statement by Australia that the Committee and/or the Council were somehow the "ultimate decision-maker" under the Regulation (EC FWS, para. 79 et seq.). Cf. also EC Response to Panel's Question 40, para. 105-107, and Exhibit EC-28, which shows that only three geographical indications were ever the subject of a Regulation adopted by the Council, whereas all others were registered through Regulations of the Commission.

<sup>76</sup> In its second submission, Australia has occasionally referred to "600 registrations", and occasionally to "120" (Australia's SWS, para. 17, 185). The EC is therefore uncertain to which extent Australia maintains its argument that the simplified procedure was incompatible with national treatment obligations. In any event, as the EC has set out in its previous submissions (EC FWS, para. 170 et seq.; EC SWS, para. 197 et seq.), Claim 9 is unfounded also because first, there was never any right of objection in the context of the simplified procedure, whether for domestic or for foreign residents; and second, because these claims fall outside the temporal scope of the temporal scope of the TRIPS Agreement as defined in Article 70.1 thereof.

<sup>77</sup> EC FWS, para 156 et seq.; EC SWS, para. 168 et seq.

103. In its second written submission, Australia has not provided any coherent response to the EC's submissions.<sup>78</sup> In particular, Australia apparently does not appreciate that Regulation 2081/92, on the one hand, and the individual registrations, on the other, are separate measures. Accordingly, Australia does not clearly state whether its claims relate to Regulation 2081/92, or to the individual registrations. However, such a clear distinction is essential for an appraisal of whether the measures in question fall within the terms of reference of the Panel, and if they do, whether the measures are in violation of national treatment obligations.

104. As regards Regulation 2081/92, the EC has already shown in its previous submission that Australia's panel request did not clearly refer to historical versions of the Regulation as the "measure at issue" in the present dispute.<sup>79</sup> Even more importantly, it is not up to Australia to enlarge the terms of reference of the Panel contrary to the object and purpose of the DSU. Dispute settlement under the DSU serves the purpose of solving disputes about existing measures. Its purpose is not to provide opinions about historical grievances, in particular where it is not demonstrated what relevance such grievances are still supposed to have. This is why the present Panel, like all WTO Panel before it, should decide on the measure at issue as it existed at the time of the establishment of the Panel.

105. As regards the individual registrations, it is clear that these registrations are still in force. On the basis of the preliminary ruling issued by the Panel, and for the purposes of the present proceedings, the EC therefore bases itself on the assumption that the individual registrations are within the terms of reference of the present Panel.<sup>80</sup>

106. However, the issue regarding the registrations is whether these registrations are in violation of national treatment obligations. So far, Australia has not substantiated its allegations in this respect. Indeed, it has tried to shift the burden of proof to the EC by reproaching the EC for having asserted that the registrations are compatible with national treatment obligations "without any supporting argument".<sup>81</sup> In this context, it appears necessary to recall that the burden of showing that there is a violation is on Australia, not on the EC.

107. The EC submits that Australia has not demonstrated the existence of such a violation. Australia has brought the present claim under the national treatment obligations of the TRIPS. However, Australia fails to explain how the registration of a particular geographical indication can constitute a violation of national treatment obligations.

108. Presumably aware of this weakness, Australia has, in its responses to the Panel's questions, also referred to other WTO provisions as violated by the individual registrations, and in particular to Article 16.1 of the TRIPS Agreement.<sup>82</sup> However, Australia has not offered a scrap of evidence for any such violation. It has acknowledged that it is not able to identify a single Australian trade mark that would be infringed by any geographical indication registered under Regulation 2081/92.<sup>83</sup> Rather it has told the panel that it has "chosen" not to identify specific commercial interests potentially affected by the EC measure.<sup>84</sup> The EC does not know what the reasons for this choice are, but the consequences are clear: Australia has failed to establish its claim, and its claim should be rejected.

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<sup>78</sup> Australia's SWS, para. 15-19, 185.

<sup>79</sup> EC SWS, para. 174.

<sup>80</sup> The EC reserves the right to raise this issue in the context of a possible appeal.

<sup>81</sup> Australia's SWS, para. 185. Cf. also Australia's Response to Panel's Question No. 93.

<sup>82</sup> Australia's Response to Panel's Question No. 92.

<sup>83</sup> Australia's Response to Panel's Question No. 93.

<sup>84</sup> Australia's SWS, para. 10.

109. Australia has also argued that the EC is asking the Panel to find that "short-lived statutory frameworks" are beyond the reach of WTO dispute settlement. In this regard, it is worth pointing out that 11 years passed between the adoption of Regulation 2081/92 and its amendment by Regulation 692/2003. This can hardly be called a "short lived" statutory framework. The EC does not know why Australia did not bring its national treatment claims when Regulation 2081/92 was still in force. However, it cannot now bring these claims against the individual registrations, when it failed to bring them against the measure which allegedly constituted the violation, namely the Regulation itself.

110. In conclusion, the Panel should firmly resist Australia's attempt to revive moot claims in flagrant disregard for the law and practice of the DSU.

**B. PROHIBITED REQUIREMENT OF DOMICILE OR ESTABLISHMENT (ARTICLE 2.1 TRIPS IN CONJUNCTION WITH ARTICLE 2.2 PARIS CONVENTION)**

111. The US has also raised certain claims under Article 2.1 TRIPS in conjunction with Article 2.2 Paris Convention. The EC considers that these claims under Article 2.2 Paris Convention are not within the Panel's terms of reference. Subsidiarily, the EC will show that these claims are unfounded.

**1. The claims based on Article 2(2) Paris Convention are not within the Panel's terms of reference**

112. First, the claims based on Article 2.2 of the Paris Convention are outside the Panel's terms of reference.

113. Article 2.2 of the Paris Convention contains a separate prohibition of conditions of domicile or establishment, which is independent of Article 2.1 of the Paris Convention. The complainants have argued that this is not so because the word "however" at the beginning of Article 2.2 establishes a "linkage" between the two provisions.<sup>85</sup> The EC does not agree. The word "however" indicates a contradiction between the provisions; rather than link, it separates. The use of the word "however" therefore clearly indicates that Article 2.2 contains an obligation going beyond Article 2.1 of the Paris Convention.

114. In fact, the US own arguments are based on the assumption that Article 2.2 is a separate legal obligation. In its first written submission, the US argued that conditions of domicile or establishment were "directly" prohibited by Article 2.2.<sup>86</sup> Similarly, in its second written submission, the US speaks of an obligation "under Article 2 (2) not to impose any requirement as to domicile or establishment".<sup>87</sup>

115. However, the US and Australian panel requests did not contain any explicit reference to Article 2(2) of the Paris Convention. Nor did they contain any claim about the application of illicit conditions of domicile or establishment by the EC.

116. In its submission, the only response of the US has been that "the EC was clearly aware of the nature of the US complaint".<sup>88</sup> The EC formally contests this statement. Until the US first written submission, the EC was not aware that the US intended to claim that the EC measure involved illicit conditions of domicile or establishment. Moreover, the EC also notes that the US argument is in contradiction with the United States response to the EC's request for a preliminary ruling, where the

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<sup>85</sup> US SWS, para. 80; Australia's SWS, para. 27.

<sup>86</sup> US FWS, para. 85.

<sup>87</sup> US SWS, para. 79.

<sup>88</sup> US SWS, para. 83.

United States announced that precisely how Regulation 2081/92 is incompatible with WTO obligations would be the subject of future US submissions.<sup>89</sup>

117. Accordingly, the Panel should find that the claims under Article 2(2) of the Paris Convention are not within its terms of reference.

**2. Claim 10: Regulation 2081/92 requires non-EC nationals to become established in the EC as a condition for registering geographical indications**

118. The United States has argued that Regulation 2081/92 requires non-EC nationals to become established in the EC as a condition for registering geographical indications. As the EC has set out in previous submissions,<sup>90</sup> this claim is unfounded because first, geographical indications relating to an area located in a WTO country can be registered under Regulation 2081/92; second, the right to register a geographical indication does not depend on domicile or establishment; and third, Article 2.2 Paris Convention cannot exclude measures which ensure that a product originates in the geographical area to which a protected geographical indication is related.

119. In its second submission, the United States has responded that it is arguing merely that the EC cannot require that the geographical area to which an indication relates be in the EC.<sup>91</sup>

120. However, as the EC has already said earlier in response to Claim 1, Regulation 2081/92 contains no such requirement. Geographical indications relating to an area located in another WTO Member can be registered under Regulation 2081/92. Accordingly, already for this reason, Regulation 2081/92 cannot be said to establish a requirement of domicile.<sup>92</sup>

121. Accordingly, the US claim should be rejected.

**3. Claim 11: Regulation 2081/92 requires non-EC nationals to become established in the EC as a condition for objecting**

122. In its second submission, the United States continues to argue that Regulation 2081/92 establishes a condition of domicile or establishment because a person "must reside or become established in the EC in order to object under the Article 7 objection procedures".<sup>93</sup>

123. As the EC has already said, this claim is manifestly unfounded. The point is not whether a person can object "under Article 7 objection procedures", but whether a person can object at all. Persons resident or established in WTO countries can object according to Article 12d (1) and 12b (2), and are therefore in exactly the same position as persons resident or established in the EC.

124. Accordingly, the US claim should be rejected.

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<sup>89</sup> Response of the United States of 15 March 2004, para. 36.

<sup>90</sup> EC FWS, para. 176 et seq.

<sup>91</sup> US SWS, para. 85.

<sup>92</sup> Moreover, the EC would recall that regardless of whether EC or foreign geographical indications are concerned, Regulation 2081/92 does not establish any requirements of domicile or establishment. It merely requires that product specifications are established which ensure that the products in question in fact have a specific quality, reputation or characteristics attributable to their geographical origin (cf. EC FWS, para. 183).

<sup>93</sup> US SWS, para. 86.

C. NATIONAL TREATMENT UNDER ARTICLE III:4 GATT

**1. The Regulation 2081/92 is not incompatible with Article III:4 GATT (Claims 12–15)**

125. The complainants have raised a number of their claims also under Article III:4 GATT, namely with respect to the registration of foreign geographical indications, the requirement of inspection structures, the transmission and verification of applications for registration, the requirement to indicate the country of origin for homonymous geographical indications, and finally the alleged overall bias in decision making.

126. All of these claims involve allegations of less favourable treatment similar to those also made under the TRIPS Agreement. In their second submissions, the complainants have not added any specific new arguments regarding their claims under Article III:4. Accordingly, the EC can refer to what it has said already previously in respect to the complainant's arguments under the TRIPS agreement.

127. There is, however, one specific aspect arising under the GATT on which the EC would like to comment. It concerns the US claim that the requirement to indicate the country of origin for homonymous geographical indications constitutes a violation of Article III:4 GATT. The EC notes that in their second submissions, both the United States and Australia recognise that Article IX:1 GATT exempts country of origin marking requirements from the national treatment obligations of Article III:4.<sup>94</sup> However, the United States does not offer any convincing explanation of why this exemption would then not also apply to the labelling requirement in Article (12)(2) of Regulation 2081/92, assuming that indeed this requirement was in violation of national treatment obligations.

128. As its only argument, the US has advanced that Regulation 2081/92 is not a "general" marking requirement. However, the word "general" does not appear in Article IX:1 GATT. Article IX:1 simply refers to requirements to mark the country of origin, regardless of whether they apply to all imported products or only to some. The EC also does not understand what would be the logic of a provision that would permit subjecting all imported products to country of origin marking, but not only some of them.

129. The perverse logic of the US claim – and similarly of Australia's corresponding claim under the TBT Agreement – is also illustrated by the practice of the US and Australia with respect to origin marking. Unlike the EC, both the US and Australia require the indication of the country of origin for all imported products.<sup>95</sup> This is a condition for the importation of any product into the United States or Australia, with which compliance is mandatory, and which does not apply to domestic products.

130. It is astonishing that the United States and Australia, while themselves applying discriminatory country of origin marking requirements of the most sweeping nature, would fault the EC for applying a targeted, entirely reasonable and non-discriminatory labelling provision allowing the distinction between two homonymous geographical indications.

131. In the view of the EC, the Panel should resist this attempt to create double standards for WTO Members, and accordingly reject the claim.

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<sup>94</sup> US SWS, para. 99; Australia's SWS, para. 212.

<sup>95</sup> Cf. for the US 19 CFR 134.11 (Exhibit EC-66); for Australia, cf. the Commerce (Trade Descriptions) Act (Exhibit EC-67) and Commerce (Imports) Regulations, Regulation 8 (c) (i) (Exhibit EC-68).

## 2. The measure would be justified under Article XX(d) GATT

132. At a subsidiary level, the EC considers that if the Panel were to find that Regulation 2081/92 does involve less favourable treatment of foreign goods by requiring the existence of inspection structures, the transmission and verification of applications by the third country government, and the indication of the country of origin for homonymous geographical indications, this less favourable treatment would be justified by Article XX(d) GATT.

133. In their second submission, the complainants have argued that the EC has not shown that the alleged inconsistencies would be justified by Article XX(d) GATT.<sup>96</sup> However, in its second submission, the EC has set out in detail why the requirement of inspection structures, the requirement of the transmission and verification of applications by the third country government, and the indication of the country of origin for homonymous geographical indications, are necessary to secure compliance with Regulation 2081/92.<sup>97</sup>

134. The United States and Australia have so far not rebutted these arguments of the EC. They have also not shown that the EC measure is applied in a manner which would constitute an arbitrary or unjustifiable discrimination between countries where the same conditions prevail, or constitute a disguised restriction on international trade.

135. Accordingly, the measures in question are justified by Article XX(d) GATT. As a consequence, the corresponding claims should be rejected.

## IV. REGULATION 2081/92 IS COMPATIBLE WITH THE OBLIGATION TO PROVIDE MOST-FAVOURABLE-NATION TREATMENT

136. The EC will now turn to the US claims that Regulation 2081/92 is incompatible with the obligation to provide most-favoured-nation treatment under Article 4 TRIPS and Article I:1 GATT.

### A. ARTICLE 4 TRIPS

#### 1. **Claim 16: As among non-EC WTO Members, nationals from WTO Members that satisfy the EC's conditions of reciprocity and equivalency are accorded more favourable treatment than nationals from those WTO Members that do not**

137. Originally, the United States claimed that Regulation 2081/92 is incompatible with Article 4 TRIPS Agreement because nationals from WTO Members that satisfy conditions of reciprocity and equivalence are accorded more favourable treatment than nationals from those WTO Members that do not.

138. In its second submission, the United States has enlarged this claim, and is now alleging that three separate aspects of Regulation 2081/92 constitute a violation of most-favoured nation obligations, namely:<sup>98</sup>

- the application of conditions of "reciprocity and equivalence" (**claim 16**);
- the requirement of inspection structures (**claim 16bis**);

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<sup>96</sup> US SWS, para. 100; Australia's SWS, para. 181.

<sup>97</sup> EC SWS, para. 228-242 (incorporating by reference the EC arguments in response to the claims under the national treatment provision of the TRIPS Agreement).

<sup>98</sup> US SWS, para. 104.

- the requirement of "substantial participation" in administering and enforcing the EC Regulation (**claim 16ter**).

139. As regards the first claim, the EC has already confirmed that it does not apply conditions of reciprocity and equivalence to other WTO Members. Already for this reason, the US claim is unfounded. Moreover, the EC has also explained that even if Article 12(1) were applicable to WTO Members, this provision merely sets out the conditions under which Regulation 2081/92 may apply, but does not confer any advantage within the meaning of Article 4 TRIPS Agreement. Finally, the EC has also explained that Regulation 2081/92 does not discriminate on the basis of nationality.<sup>99</sup> For all these reasons, this US claim should be rejected.

140. As regards Claim 16bis, the EC has already set out in detail that the requirement of inspection structures is not "equivalence by another name", but rather is applied on a product-specific basis.<sup>100</sup> This means that the question whether appropriate inspection structures exist must be evaluated for each specific application separately. There is no rule which would imply that for certain countries, inspection structures are automatically deemed to exist, whereas for other countries they are deemed not to exist.

141. This is not just so for applications from third countries, but also for applications from the EC. In fact, each application must contain the indication of the competent inspection body.<sup>101</sup> If no inspection body is indicated, or if the inspection body indicated is not in compliance with the requirements of Article 10 of Regulation 2081/92, the geographical indication cannot be registered. The requirement of inspection structures is thus applied in a completely non-discriminatory fashion. It involves discrimination neither on the basis of nationality nor on the basis of product origin. Accordingly, Claim 16bis should be rejected.

142. As regards Claim 16ter, which is newly raised by the United States, essentially the same objections apply. There is no rule in the Regulation 2081/92 which would define which WTO members can transmit and verify applications for registration and which cannot. In fact, the United States does not even claim this, but instead argues that some WTO Members "might not be able to prosecute" applications for registration, whereas others might be.<sup>102</sup> This argument is without merit. The Regulation does not require anything that would be outside the scope of any WTO Member with a normally functioning government.

143. In reality, and certainly as regards the United States itself, the issue is not ability, but willingness. The United States has stated clearly that it is unwilling to cooperate in the registration process under Regulation 2081/92. However, this is not a choice which is attributable to the EC. Accordingly, Claim 16ter should equally be rejected.

## **2. Claim 17: Under Regulation 2081/92, an EC Member State grants more favourable treatment to nationals from other EC Member States than it accords to nationals from non-EC WTO Members**

144. The United States has claimed that under Regulation 2081/92, an EC Member State grants more favourable treatment to nationals from other EC Member States than it accords to nationals from non-EC WTO Members.

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<sup>99</sup> Cf. EC FWS, para. 228 et seq.; EC SWS, para. 245 et seq.

<sup>100</sup> EC SWS, para. 96 et seq.; above, para. 54 et seq.

<sup>101</sup> Cf. as examples the applications in Exhibits EC-51 to EC-54, EC-56.

<sup>102</sup> US SWS, para. 107.

145. In its written submissions, the EC has already explained that this claim is unfounded.<sup>103</sup> In particular, the EC is an original member of the WTO. Measures with which the EC harmonises the law inside the EC are not measures through which the Member States grant "each other" advantages. Since Regulation 2081/92 is a measure of the EC, the United States has therefore correctly brought its claim against the EC, and not against the Member States.

146. Obvious as this seems, in its second submission, the US persists with its fallacious arguments. In particular, the US argues that the terms of reference of the Panel include also "related implementation and enforcement measures", including measures taken by the Member States. On this basis, the US asks the Panel to "review" whether the measures of the EC Member States are in accordance with MFN obligations.

147. At the outset, the EC would observe that the United States has not indicated what measures of the Member States it is talking about, and in which way such measures are supposed to be in violation of WTO obligations. Accordingly, the United States has not provided sufficient evidence to establish the existence of a violation.

148. Moreover, the EC would remark that the present dispute relates to measures adopted by the EC. That, as in many other areas of EC law, the EC Member States have certain responsibilities in the execution of Regulation 2081/92 is irrelevant. The EC generally does not execute its laws through authorities at the EC level; rather, it has recourse to the authorities of the Member States, which in such a situation act *de facto* as organs of the Community, for which the Community would be responsible under WTO law and international law in general. In this context, it is also interesting to note that the European Court of Justice upheld EC competence for an agreement falling under the common commercial policy while holding that "it was of little importance that the obligations and financial burdens inherent in the execution of the agreement envisaged are borne directly by the Member States".<sup>104</sup>

149. Accordingly, where EC Member States take measures for the execution of Community law, such measures are derived from Community law, fall under the competence of the Community, and it is the Community that is responsible for them, not the Member States. Accordingly, such measures cannot be regarded as the granting of an advantage from one WTO Member to another, or as "avoiding MFN obligations" towards other WTO Members. Moreover, the fact that MFN obligations do not apply does not mean that other WTO obligations, and in particular national treatment obligations, would become inapplicable.

150. The EC would also remark that this US claim has nothing to do specifically with the protection of geographical indications, but is of a horizontal nature. The EC has adopted tens of thousands of acts harmonising the law within the EC. If the United States were right, then presumably the entire body of EC law should be applied to the US, and indeed to any other WTO Member. This cannot be right, and to the knowledge of the EC, no other Member has ever made a similar claim.

151. To conclude this point, this claim is an ill-considered attempt to undermine the integrity of the EC legal system, and the Panel should reject it as such.

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<sup>103</sup> EC FWS, para. 249 et seq. ; EC SWS, para. 252 et seq.

<sup>104</sup> Opinion 1/75, *Local Cost Standard*, [1975] ECR 1355 (Exhibit EC-69).



- B. CLAIM 18: BY SUBJECTING THE REGISTRATION OF THIRD-COUNTRY GEOGRAPHICAL INDICATIONS TO CONDITIONS OF RECIPROCITY AND EQUIVALENCE, THE EC MEASURE IS INCONSISTENT WITH THE MOST-FAVOURLED-NATION OBLIGATION UNDER THE ARTICLE I:1 GATT

152. The United States has argued that by subjecting the registration of third-country geographical indications to conditions of reciprocity and equivalence, the EC measure is inconsistent with the most-favoured-nation obligation under Article I:1 GATT.

153. As the EC has already set out in its written submission, Regulation 2081/92 is not incompatible with Article I:1.<sup>105</sup> In its second submission, the United States has not made any specific arguments on Article I:1 GATT, but simply referred to its arguments on Article 4 TRIPS.<sup>106</sup> Accordingly, the EC can also refer to the arguments that it has made earlier in response to the United States claim under Article 4 TRIPS.<sup>107</sup> Accordingly, the claim should be rejected.

## V. REGULATION 2081/92 DOES NOT DIMINISH THE LEGAL PROTECTION OF TRADEMARKS

154. In this section of our statement, we will address the complainants' claims under Article 16.1 of the TRIPS Agreement and, in particular, their claims concerning the issue of "co-existence". The complainants have submitted no new arguments with respect to their other claims in their rebuttal submissions. The EC refers, with respect to those claims, to its earlier submissions to the Panel.

- A. CLAIM 19: ARTICLE 14(2) OF REGULATION 2081/92 IS INCONSISTENT WITH ARTICLE 16.1 OF THE TRIPS IN THAT IT ALLOWS THE CO-EXISTENCE OF GEOGRAPHICAL INDICATIONS AND EARLIER TRADEMARKS

### 1. Article 14(3) of Regulation 2081/92

155. The EC has shown that the co-existence of geographical indications and earlier trademarks provided in Article 14(2) of Regulation 2081/92 would not be inconsistent with Article 16.1 of the TRIPS Agreement, even if the complainants' interpretation of that provision, and of its relationship to Section 3 of Part II, were correct:

- first, the criteria for the registrability of trademarks limit *a priori* the possibility of conflicts between geographical indications and earlier trademarks;
- second, to the extent that any such conflict arises, Article 14(3) of Regulation 2081/92 provides the necessary means to trademark owners in order to oppose or invalidate the registration of *any* confusing geographical indication;
- finally, the provisions of Regulation 2081/92, together with other provisions of EC law and the unfair competition laws of the Member States, provide the necessary means to

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<sup>105</sup> EC SWS, para. 259.

<sup>106</sup> US SWS, paras. 114-115.

<sup>107</sup> It is not clear from the US second submission whether the United States considers also that the requirement of inspection procedures and of transmission and verification of applications by the government of the home country of the geographical indication constitutes a violation of Article I:1 GATT. To the extent that the US makes such a claim, the EC can refer to its response to the claims under Article 4 TRIPS. Moreover, subsidiarily, the EC would also consider that these measures would be justified by Article XX(d) GATT, in line with what it has already set out in response to the claims under Article III:4 GATT.

ensure that, in practice, registered geographical indications are not used in a confusing manner.

(a) Registrability of geographical names as trademarks

156. The EC has set out in detail the criteria for the registrability of trademarks because they define the legal context within which Article 14(3) must be applied. A proper understanding of those criteria is, therefore, essential in order to interpret correctly Article 14(3).

157. Contrary to the complainants' assertions, the EC has never said that "valid registered trademarks cannot incorporate certain geographical elements."<sup>108</sup> Indeed, if so, it would have been unnecessary to include Article 14(3) in Regulation 2081/92. Rather, the EC has explained that, under EC trademark law, terms which are, or which may reasonably qualify in the future, as geographical indications cannot be validly registered as trademarks unless they have acquired distinctiveness (a "secondary meaning") through use. Hence the express reference in Article 14(3) to the criteria that are relevant for measuring such acquired distinctiveness.

158. The facts bear out the EC's position. Neither the complainants nor the third parties have been able to identify even one single geographical indication, of the more than 600 registered by the EC, which gives rise to a likelihood of confusion with an earlier trademark. Instead, the United States cites hypothetical examples involving cheese from the Moon and tropical products from Portugal.

159. Australia argues that the registrability criteria of the Trademark Directive did not apply to trademarks registered before its adoption.<sup>109</sup> Australia has overlooked that, under the Trademark Directive, the grounds for refusing a registration are also grounds for invalidating existing trademarks, including trademarks pre-dating the Trademark Directive, unless the Member States have provided otherwise. Moreover, the Trademark Directive was hardly innovative on this point. Before the adoption of the Trademark Directive, the trademark laws of the Member States provided already similar registrability criteria, just like the laws of most other countries, including those of the complainants.

160. In turn, the United States argues that the EC's reasoning would not apply to registered geographical indications which do not consist of a place name.<sup>110</sup> The United States is wrong. The Trademark Directive prohibits the registration of trademarks which consist "of signs or indications which may serve, in trade, to designate ... geographical origin".<sup>111</sup> Terms like "Feta" or "Reblochon" operate as indirect indications of origin and, therefore, fit this description even if they are not place names. In any event, the Trademark Directive also prohibits the registration of terms which serve to designate the "kind", "quality" or "other characteristics" of the goods.<sup>112</sup>

(b) The Complainants have misinterpreted Article 14(3)

161. The EC has shown that, far from being the only reasonable interpretation of Article 14(3), the complainants' reading of that provision is unsupported by the ordinary meaning of its terms. Furthermore, the complainants' interpretation is neither reasonable nor workable in practice and cannot be reconciled with the terms of other provisions of Regulation 2081/92.

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<sup>108</sup> US SWS, para. 169.

<sup>109</sup> Australia's SWS, para. 91.

<sup>110</sup> US SWS, para. 168.

<sup>111</sup> Cf. Article 3.1(c) of the Trademark Directive.

<sup>112</sup> Ibid.

162. Australia asserts that "the term misleading establishes a stricter evidentiary standard than confusing".<sup>113</sup> At most, this could be considered one possible reading of "misleading". But Australia has not proved that the EC's own interpretation of "misleading" is less reasonable, or that it is impossible to interpret the term "misleading" consistently with Article 16.1. In fact, Australia's interpretation does not even pass the dictionary test. As acknowledged by Australia, one of the ordinary meanings of "misleading" is "confusing".<sup>114</sup> The same is true of the other linguistic versions of Regulation 2081/92. For example, the term "mislead" has been rendered as "inducir a error" in the Spanish version. According to the Diccionario de la Real Academia Española, one of the ordinary meanings of "error" is "equivocación, confusión".<sup>115</sup> Furthermore, the EC's reading of "misleading" is supported contextually by Article 7 (5) (b) of Regulation 2081/92, which provides that the Commission shall decide on the objections having regard to the "likelihood of confusion".

163. For its part, the United States persists on its misguided theory that Article 14(3) applies only with respect to a certain subset of trademarks. But this is not what Article 14(3) says. Article 14(3) does not say that registration shall be refused where it leads to confusion with a trademark *provided* that such trademark has been used for a long time and *provided* that it enjoys considerable reputation and renown. Instead, Article 14(3) says that registration shall be refused where the proposed name would be misleading *in the light of* a trademark's reputation and renown and the length of time it has been used". Thus, length of use and reputation/renown are not "threshold pre-requisites" for the application of Article 14(3). They are criteria for assessing whether the geographical indication is misleading. As explained, Article 14(3) mentions expressly those criteria because they will be particularly relevant, given that geographical terms are inherently non-distinctive as trademarks.

164. The United States notes that Article 6*bis* of the Paris Convention and Articles 16.2 and 16.3 of the TRIPS Agreement confer additional protection to so-called "well-known" marks and that reputation, renown and length of use are "factors" generally used in order to establish whether a trademark qualifies as "well known".<sup>116</sup> But from this it does not follow logically that these factors are relevant *only* as "threshold pre-requisites" for the application of the provisions in question. Length of use and reputation/renown are relevant criteria in order to assess the likelihood of confusion with *any* trademark. In particular, regardless of whether a trademark has enough reputation/renown to qualify as a "well-known" mark under Paris Article 6*bis*, its reputation/renown (or the lack thereof) will also be relevant for the purposes of establishing the likelihood of confusion with a sign for similar goods under Article 16.1.

165. The United States also refers<sup>117</sup> to the so-called "anti-dilution" provisions of the Trademark Directive and the Community Trademark Regulation, which confer protection to a trademark, despite the lack of similarity between the goods concerned, "where the trademark has a reputation". In the context of those provisions, "reputation" functions as a "threshold pre-requisite". But, again, this does not mean that, under EC trademark law, reputation is relevant only for that purpose. Nor does it mean that the relatively high level of reputation required by the ECJ<sup>118</sup> and the OHIM<sup>119</sup> when applying those provisions can be extrapolated to Article 14(3). That standard is linked to the far-reaching protection afforded by the "anti-dilution" provisions and would not be justified in a situation involving signs for similar goods.

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<sup>113</sup> Australia's SWS, para. 104.

<sup>114</sup> Australia's SWS, para. 104.

<sup>115</sup> Diccionario de la Real Academia Española, 20th Edition, 1984. (Exhibit EC-70).

<sup>116</sup> US SWS, para. 146.

<sup>117</sup> US SWS, para. 150.

<sup>118</sup> US SWS, para. 151.

<sup>119</sup> US SWS, para. 152.

166. The tenth recital of the Trademark Directive says that the appreciation of likelihood of confusion

depends on numerous elements and, in particular, on the recognition of the trade mark on the market, of the association which can be made with the used or registered sign, of the degree of similarity between the trade mark and the sign and between the goods or services identified.

167. Interpreting Article 4(1)(b) of the Trademark Directive, which is the equivalent of Article 16.1, the ECJ has said that<sup>120</sup>

... the more distinctive the earlier mark, the greater the risk of confusion ... Since protection of a trademark depends, in accordance with Article 4.1(b) of the Directive, on there being a likelihood of confusion, marks with a highly distinctive character, either *per se* or because of the *reputation* they possess in the market, enjoy broader protection than marks with a less distinctive character.

168. This confirms that reputation, in addition to being a "threshold pre-requisite" for the application of certain provisions providing additional protections to highly reputed marks, is also a general criterion for assessing likelihood of confusion with *any* trademark.

169. EC trademark law is by no means unique in this respect.<sup>121</sup> Similar criteria are applied by most other Members.<sup>122</sup> In the United States, the factors to be examined in determining likelihood of confusion in infringement proceedings include the so-called "strength" of the trademark.<sup>123</sup> Trademarks consisting of descriptive terms, such as place names, are deemed inherently "weak" and

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<sup>120</sup> Case C-39/97, *Canon Kabushiki Kaisha v Metro Goldwyn-Mayer Inc.*, ECR [1998] I-5507, para. 18 (Exhibit EC-71). Emphases added.

<sup>121</sup> According to WIPO's Trademark Manual:

If the infringed trademark is being used, the extent of use can influence the test of confusing similarity. Intensive use increases distinctiveness of the mark, and confusion with well known marks is more likely if the goods on which the infringing mark is used are less similar or if the similarity of the marks is less apparent.

WIPO, *Introduction to Trademark Law & Practice, The Basic Concepts, A WIPO Training Manual*, Geneva 1993, 2<sup>nd</sup> Ed., at point. 6.2.3 in fine (Exhibit EC-72).

WIPO's Manual distinguishes the relevance of intensive use as a factor that influences the test of confusing similarity from the protection given to well known marks beyond the scope of confusing similarity. (Ibid., at point 6.2.4).

<sup>122</sup> For example, Section 6(5) of Canada's Trade Marks Act (Exhibit EC-73) provides that (emphases added):

In determining whether trade-marks or trade names are confusing, the court or the Registrar, as the case may be, shall have regard to all the surrounding circumstances including: (a) the inherent distinctiveness of the trade-marks or trade names and *the extent to which they have become known*; (b) *the length of time the trade-marks or trade-names have been in use*; (c) the nature of the wares, services or business; (d) the nature of the trade; and (e) the degree of resemblance between the trade-marks or trade names in appearance or sound or in the ideas suggested by them.

<sup>123</sup> See e.g. *Polaroid Corp. v. Polarad Elect. Corp.*, 287 F.2d 492 (2d Cir.) cert. denied, 368 U.S. 820 (1961) (Exhibit EC-74); *E.I. DuPont DeNemours & Co. Application of*, 476 F.2d 1357 (Cust. & Pat. App.1973), 261 (Exhibit EC-75).

are protected only to the extent that "secondary meaning" is shown.<sup>124</sup> In turn, secondary meaning is measured according to criteria such as reputation, renown and length of use.<sup>125</sup>

170. Even less pertinent are the US references to the EC Wine Regulation.<sup>126</sup> Indeed, the Wine Regulation proves the opposite. The differences between Article 14(3) and the corresponding provision of the Wine Regulation underscore that the EC authorities intended to apply a different rule in the context of Regulation 2081/92.

171. The United States alleges that the EC's interpretation of Article 14(3) is a novel one which contradicts previous positions of the EC. Given the tone in which this accusation is made, one would expect that the United States has credible evidence to substantiate it. It does not.

172. The United States cites three pieces of "evidence":

- The first one is a slide included in a promotional presentation made by a low level Commission official in Tokyo, which, for pedagogical reasons, describes the requirements of Article 14(3) in an oversimplified manner. Needless to say, that slide has no legal authority whatsoever.
- The second one is a passage from the EC Commission's Guide to Regulation 2081/92.<sup>127</sup> The passage in question, however, repeats verbatim the wording of Article 14(3) and, therefore, does not support the US interpretation. The United States makes much of the fact that the passage describes Article 14(3) as "the only circumstance" in which a "conflicting trademark" (i.e. a trademark that engenders one of the situations indicated in Article 13(1)) prevents the registration of the geographical indication. However, the EC's interpretation does not contradict this. Regardless of which is the correct interpretation of Article 14(3), it is beyond dispute that the situation referred to in that Article is the "only circumstance" in which the registration of a geographical indication must be refused. The reference to "other cases" in the passage quoted by the United States is an allusion to the other situations included in Article 13(1) in which a trademark "conflicts" with a geographical indication.
- The third one is a statement of "ministerial reasoning" accompanying Section 45 of Hungary's Law on the Protection of Trademarks and Geographical Indications.<sup>128</sup> Contrary to what is said by the United States, that provision does not implement Regulation 2081/92, which, being a directly applicable Regulation, and not a Directive, need not, and indeed must not, be implemented by the Member States. The provision in question applies to products not covered by Regulation 2081/92, in respect of which the Member States remain competent to adopt their own rules. The EC finds it rather curious that the United States considers more authoritative the interpretation of an EC Regulation made by a minister of a Member State in order to explain an amendment to a law of that Member State which, on that point, does not implement EC law, than the interpretation made by the EC authorities of an EC Regulation which those authorities have drafted and adopted themselves and which they have been interpreting and applying for more than 15 years prior to Hungary's accession to the EC. But then, of course, one

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<sup>124</sup> See e.g. *AMF Inc. v. Sleekcraft Boats*, 5499 F.2d 341 (9<sup>th</sup> Cir. 1979) (Exhibit EC-76).

<sup>125</sup> See e.g. *Zatarian's, Inc. v. Oak Grove Smokehouse, Inc.*, 698 F.2d 786 (5<sup>th</sup> Cir. 1983) (Exhibit EC-77).

<sup>126</sup> US SWS, para. 152.

<sup>127</sup> US SWS, para. 155, with reference to Exhibit US-24.

<sup>128</sup> US SWS, para. 148.

should not forget that the United States speaks from the premise that the EC institutions are the only government in the world which is entitled to no deference from panels.<sup>129</sup>

173. The EC has pointed out that the interpretation of Article 14(3) made by the United States would lead to a result which cannot be reconciled with the terms of other provisions of Regulation 2081/92 and, in particular, with Article 7(4).<sup>130</sup> In response, the United States notes that the two provisions apply cumulatively.<sup>131</sup> However, this still does not explain why Article 7(4) allows objections in respect of *any* trademarks, and not just in respect of "well-known" trademarks. It would be pointless to admit an objection on certain grounds if, in any event, it were not possible to reject the objection on such grounds. The United States has no answer for this.

(c) Article 14(3) confers enforceable rights to the trademark owners

174. The United States argues that, even if the EC's reading of Article 14(3) were correct, that provision "merely authorizes the EC to decline registration of a GI"<sup>132</sup>, but does not accord rights to the trademark owners.<sup>133</sup>

175. The United States is wrong again. When applying Article 14(3), the EC authorities have a margin of appreciation in order to assess the relevant facts. But once they have determined, as a factual matter, that a proposed geographical indication would be misleading, they are required, and not simply authorized, to refuse the registration of that geographical indication.

176. Furthermore, Article 14(3) confers judicially enforceable rights to the owners of trademarks.

177. In accordance with Article 230 of the EC Treaty, if a trademark owner can show that it is directly and individually concerned by the decision to register a geographical indication, it may bring an action in annulment before the European Court of Justice against that decision on the grounds that it is inconsistent with Article 14(3) of Regulation 2081/92.

178. In any event, trademark owners may raise the invalidity of the registration of a geographical indication before the courts of the Member States in accordance with the procedure provided in Article 234 of the EC Treaty. For example, a trademark owner could bring infringement proceedings under the Community Trademark Regulation and/or under the trademark law of a Member State against the user of a registered geographical indication and argue that the registration of the geographical indication is invalid because it is inconsistent with Article 14(3) of Regulation 2081/92. The national court would then have to request a preliminary ruling on the validity of the registration from the European Court of Justice. That ruling would be binding upon the national court. Unlike the action in annulment, the possibility to request a preliminary ruling is not subject to any time limits.<sup>134</sup>

179. Australia has said that the decisions to register a geographical indication under Regulation 2081/92 are subject to judicial review only "on points of law".<sup>135</sup> This is wrong. The ECJ may review not only points of law but also the factual assessment made by the registering authorities,

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<sup>129</sup> US Response to the Panel's Question No. 1, para. 8 and para. 18.

<sup>130</sup> Articles 12b(3) and 12d(2) provide, respectively, that the criteria of Article 7(4) shall apply also with respect to the admissibility of objections to the registration of foreign geographical indications and of objections from outside the EC to EC geographical indications.

<sup>131</sup> US SWS, para. 161.

<sup>132</sup> US FOS, para. 54. See also US Responses to Panel's Questions Nos. 14 (at para. 41) and 67 (at para. 87).

<sup>133</sup> US SWS, para. 136.

<sup>134</sup> US SWS, para. 138.

<sup>135</sup> US SWS, para. 152.

both in annulment proceedings under Article 230 of the EC Treaty and in the context of a preliminary ruling on the validity of the registration under Article 234 of the EC Treaty.

(d) EC law provides means to prevent confusing uses of a registered geographical indication

180. The United States goes on to argue that, even if Article 14(3) prevents the registration of confusing geographical indications, it does not provide means to prevent that a registered geographical indication is used subsequently in a confusing manner.

181. The United States is asking the EC to provide a remedy against the use of a registered geographical indication which is not required by Article 16.1 and which few Members, if any, provide against the use of a registered trademark. The registration of a trademark confers a right to use that sign.<sup>136</sup> For that reason, in most jurisdictions a trademark owner cannot prevent the owner of another registered trademark from using the sign covered by the registration unless it requests and obtains first the cancellation, invalidation or revocation of such registration.<sup>137</sup> Under EC law, the relationship between trademarks and registered geographical indications rests on the same principle. The owner of a trademark may not prevent the right holders of a registered geographical indication from using the registered name on the grounds that such name is confusing. As just explained, however, the trademark owner is entitled to request a judicial ruling to the effect that the registration of the geographical indication is invalid on those grounds.

182. The United States contends that, in practice, questions may arise as to what exactly is encompassed by the "registered name". The same kind of questions, however, may arise in connection with the scope of the registration of a trademark. Whether or not a particular sign falls within the scope of a particular registration is a factual question to be resolved by the courts on a case-by-case basis. It should not, and indeed cannot possibly be decided in the abstract by this Panel.

183. The United States also argues that confusion could arise if the geographical indication is used "in ways that cannot be anticipated, such as in a trademark-like manner".<sup>138</sup> This reflects certain pre-conceived notions as to how trademarks and geographical indications should be used which have no basis in the TRIPS Agreement and which the EC does not share. For example, the EC does not agree that the "pictorial depictions" of the packaging for four EC cheeses included in Exhibit US-52 ("Esrom", "Bra", "Bitto" and "Tomme de Savoie") demonstrate that the geographical indications are used in "trademark-like fashion".<sup>139</sup> Rather, they demonstrate simply that trademarks and geographical indications can be presented in similar fashion. To characterize that fashion as "trademark-like" assumes that trademarks enjoy priority in order to use certain types or styles of presentation.

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<sup>136</sup> For example, Section 122 of Australia's Trade Marks Act 1995 (Exhibit EC-7) provides that:

In spite of section 120, a person does not infringe a registered trade mark when: [...] (e) the person exercises a right to use a trade mark given to the person under this Act.

Section 120 defines when a trademark is deemed infringed (Exhibit EC-78). Section 23 of Australia's Trade Marks Act 1995 (Exhibit EC-79) further clarifies that:

If trade marks that are substantially identical or deceptively similar have been registered by more than one person (whether in respect of the same or different goods or services), the registered owner of any one of those trademarks does not have the right to prevent the registered owner of any other of those trade marks from using that trade mark except to the extent that the first mentioned owner is authorised to do so under the registration of his or her trade mark.

<sup>137</sup> See e.g. Article 95 of the Community Trademark Regulation.

<sup>138</sup> US SWS, para. 131.

<sup>139</sup> US SWS, para. 133.

184. What the United States characterizes as "trademark-like" manner is, in fact, a legitimate, ordinary and predictable manner of using a geographical indication, at least in the EC. EC consumers are familiar with the use of geographical indications for foodstuffs. They value them as much as trademarks when making their purchasing decisions, if not more, and expect them to be used in what the United States calls "trademark-like" fashion. For example, Italian consumers probably care more about whether their cheese is genuine "Bra" (rather than, say, "Bitto") than about whether it has been produced by the firm "Vittorio" or by another cheese maker, in particular since the conditions for using the geographical indication ensure that all Bra cheese has homogenous characteristics, regardless of the brand. In conducting the assessment provided in Article 14(3), the EC authorities will assume that the proposed geographical indication will be used in what the United States calls "trademark-like" manner. Accordingly, if the EC authorities reach the conclusion that a geographical indication is not "misleading", it is because they consider that such name is not "misleading" even when used in what the United States calls "trademark-like" fashion.

185. Finally, the EC recalls once again that, while the right holders of a geographical indication have a positive right to use the registered name, this does not mean that they are allowed to use it in any conceivable manner. As explained<sup>140</sup>, the use of a name registered as a geographical indication, like the use of name registered as a trademark, is subject to the generally applicable provisions of Directive 2000/13 on the labelling, presentation and advertising of foodstuffs<sup>141</sup>, of Directive 84/450 on misleading advertising<sup>142</sup> and of the unfair competition laws of the Member States.<sup>143</sup>

## 2. Article 24.5 of the TRIPS Agreement

(a) The relationship between Section 3 of Part II and Article 16.1

186. The United States has argued that "it is not necessary for the Panel to even consider Article 24.5 to find a violation of Article 16.1, as Article 24.5 is an exception to GI protection, not trademark protection"<sup>144</sup>.

187. As we have shown, this argument is specious. True, Article 24.5 limits "GI protection". But, in turn, the measures taken to implement "GI protection" under Section 3 of Part II limit "trademark protection". Thus, by defining the scope of "GI protection" Article 24.5 defines simultaneously the scope of "trademark protection". In other words, as conceded by Australia<sup>145</sup>, together with other provisions of Section 3 of Part II, Article 24.5 defines the boundary between the right to protect geographical indications and the obligation to protect trademarks. The issue before the Panel is whether the co-existence provided in Regulation 2081/92 is within the boundary defined by Article 24.5.

188. Moreover, Article 16.1 must be read together with Article 15.2. In accordance with that provision, Members have a right to refuse (and by implication to invalidate) the registration of trademarks on a variety of grounds relating to the "form" of the trademark. That right, however, is circumscribed by Article 24.5, which provides that, in implementing protection for geographical indications, Members may not invalidate a grandfathered trademark "on the basis that such a

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<sup>140</sup> EC's FWS, para. 319. See also the responses of the EC and its Member States to the review under Article 24.2 of the TRIPS Agreement contained in document IP/C/W/117/Add.10 (Exhibit EC-29).

<sup>141</sup> Exhibit EC-30.

<sup>142</sup> Exhibit EC-31.

<sup>143</sup> References to the relevant laws of the Member States are found in their responses to the review under Article 24.2 of the TRIPS Agreement (Exhibit EC-32).

<sup>144</sup> US SWS, para. 173

<sup>145</sup> Australia's SWS, para. 96.



trademark is identical with or similar to a geographical indication". Since Article 24.5 limits the right of Members under Section 2 of Part III to invalidate the registration of certain trademarks, it may, at the same time, limit some of the obligations arising from the registration of such trademarks under that section.

(b) The meaning of "the right to use a trademark"

189. By now it has become clear that the key issue before the Panel is the interpretation of the phrase "the right to use a trademark". Australia and the United States have advanced different and contradictory interpretations of that phrase.

190. Australia says that the phrase "the right to use a trademark" applies only to the trademarks acquired through use.<sup>146</sup> There are, however, obvious problems with this reading, which Australia has failed to address. First, it cannot be reconciled with the ordinary meaning of the term "trademark", which includes all trademarks. Moreover, as used throughout the TRIPS Agreement, the term "trademark" includes both types of trademarks. When the drafters intended to distinguish between registered trademarks and trademarks acquired through use they did so expressly, like in Article 16.1 or in Article 21.

191. Australia suggests that the phrase "the right to use a trademark" is linked to the reference made in the chapeau of Article 24.5 to the situation where "rights to a trademark have been acquired through use". But, if so, it would have been more logical to say that the implementation of protection for geographical indications "shall not prejudice ... the rights to a trademark acquired through use". Contradicting expressly Australia's position, the United States has said that "'the right to use a trademark' is not specifically linked in the text to trademarks whose rights are acquired through use".<sup>147</sup>

192. Furthermore, by arguing that the phrase "the right to use a trademark" refers exclusively to the trademarks acquired through use, and not contesting that this phrase does not include the right to prevent others from using the trademark, Australia concedes that Article 24.5 provides for the co-existence of geographical indications with earlier trademark acquired through use. Australia suggests that co-existence is justified in the case of non-registered trademarks, because Article 16.1 only requires to grant exclusive rights to the owners of registered trademarks.<sup>148</sup> However, Article 16.1 reserves expressly the right of Members to grant rights on the basis of use, including exclusive rights. Australia does not explain how Article 24.5, which Australia insists is not an exception to Article 16.1, can nevertheless limit the Members' right to protect non-registered trademarks under Article 16.1.

193. In turn, the United States argues that the phrase "the right to use a trademark" means in fact "the right to use a trademark and, in addition, to exclude others from using it". This reading cannot be reconciled with the ordinary meaning of that phrase. Nor with the meaning commonly given to that phrase in the context of trademark law, including in US trademark law. Contradicting expressly the US position, Australia agrees with the EC that the phrase "the right to use a trademark" does not mean the *exclusive* right to use a trademark.<sup>149</sup>

194. The United States attempts to stretch the meaning of the phrase "the right to use the trade mark" by resorting to what it calls a "contextual" interpretation. It is, of course, true that the purpose of a trademark is to distinguish the goods from a certain undertaking. But from this it does not follow

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<sup>146</sup> Australia's SWS, para. 100.

<sup>147</sup> US Response to the Panel's Question No. 70, para. 105.

<sup>148</sup> Australia's SWS, para. 100.

<sup>149</sup> Australia's SWS, para. 100.

logically that "the right to use a trademark" is inherently exclusive. In practice, the right to use a trademark is not always exclusive. Indeed, if so, it would have been superfluous to provide in Article 16.1 that registered trademarks must be exclusive. Also, on the US interpretation, any rights granted to the owners of unregistered trademarks on the basis of use would have to be exclusive. Yet, while this may be generally the case, there is no obligation under the TRIPS Agreement to grant such exclusive rights, as emphasised by Australia.<sup>150</sup>

195. The United States confuses the trademark, which is a sign, with the rights that the law may confer over that sign. That a trademark is a sign, and not a right, is confirmed by the fact that an undertaking may use a sign as a trademark even if it has acquired no rights over it. In most countries, including the majority of EC Member States, the rights over a trademark are acquired only upon registration. In other words, an undertaking has no rights over a trademark, including the right to use it, unless and until it registers it. But there is nothing that prevents an undertaking from using a non-registered trademark in order to distinguish its goods, even if it has no rights over it, provided that it does not infringe the rights of another undertaking. In other countries, including the United States, it is possible to acquire rights over a trademark on the basis of use. But even in those countries it is necessary, before any rights over the trademark are acquired, that the trademark is used for a certain period of time. This confirms that one thing is using a sign as a trademark and another thing having a right to use such trademark, let alone an exclusive right.

(c) The validity of the registration

196. While the two complainants disagree with respect to the meaning of the phrase "the right to use a trademark", both contend that the phrase "shall not prejudice ... the validity of the registration" means that the implementation of protection for geographical indications cannot prejudice the right to exclude others from using the trademark.

197. This reading confuses the registration with the exercise of one of the rights that may be conferred by the registration. That the validity of the registration cannot be "prejudiced" means that Members cannot cancel the registration, or limit its scope or its duration. It does not mean that Members are prohibited from adopting any measure that may affect the exercise of the rights of the owner of the registered trademark. Moreover, on the complainants' interpretation, the phrase "the right to use a trademark" would become duplicative and superfluous. If the obligation not to prejudice the exclusive right to use a trademark were already inherent in the obligation not to prejudice the validity of the trademark, it would have been pointless to specify that the implementation of protection for geographical indications shall not prejudice "the right to use a trademark".

198. The complainants suggest<sup>151</sup> that while the right to exclude others is inherent in the "validity" of the registration by virtue of Article 16.1, the "right to use a trademark" is not. However, the right to use a trademark is the most basic right of the owner of a registered trademark. Indeed, even more so than the right to exclude others. Trademarks are generally exclusive, but not inherently so. Hence the obligation provided in Article 16.1. On the other hand, a registered trademark which did not confer the right to use the trademark would be meaningless. The right to use a trademark is implicit in Section 2 of Part III. It is implicit, for example, in Article 16.1. The right to prevent others from using a sign which would result in a likelihood of confusion with the registered trademark presupposes that the owner of the registered trademark can use the trademark himself, since otherwise there could be no possibility of confusion. The right to use a trademark is also implicit in Article 19, which provides that, in order to maintain a registration, Members may require the use of the trademark. It is also implicit in Article 20, which provides that the use of a trademark shall not be unjustifiably encumbered.

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<sup>150</sup> Australia's SWS, para. 100.

<sup>151</sup> See e.g. Australia's SWS, para. 99.

199. If the drafters deemed necessary to specify in Article 24.5 that the implementation of protection for geographical indications shall not prejudice the most basic right of the owner of a registered trademark ("the right to use it"), but not the right to exclude others from using it, the clear implication is that they did not intend to prevent Members from limiting the exercise of the latter right in order to allow the use of a geographical indication in co-existence with a grandfathered trademark.

### 3. Article 24.3 of the TRIPS Agreement

200. The EC has argued that, regardless of whether the co-existence of geographical indications and earlier trademarks is envisaged by Article 24.5, it is required to maintain such co-existence by virtue of the stand-still obligation contained in Article 24.3.<sup>152</sup>

201. The complainants read Article 24.3 as if it were subject to the proviso that Members are exempted from the obligation not to diminish the protection of geographical indications, where such protection would not be consistent with the provisions of Section 2 of Part III.<sup>153</sup> But Article 24.3 contains no such proviso. The United States suggests that Article 24.3 is subject to Article 1.1.<sup>154</sup> But Article 1.1 applies only when a Member decides, voluntarily, to implement more extensive protection. Article 24.3, however, does not simply *permit* Members to implement more extensive protection. It *requires* them to do so. This obligation is not subordinated in any manner to the obligation imposed by Article 16.1. Both have equal rank. Thus, the complainants' reading of Article 24.3 would result in a genuine conflict between that provision and Article 16.1.

202. The distinction drawn by the complainants between the "implementation" of Section 2 and that of Section 3 is fallacious, because the protection of geographical indications with respect to trademarks is an essential and inseparable component of the protection of geographical indications provided in Section 3. Several provisions of Section 3 limit expressly the protection of trademarks under Section 2. There is no reason why Article 24.3 cannot impose an additional limitation.

203. The United States devotes considerable space to argue that the EC's reading of Article 24.3 would have provided "a road map to circumvent the disciplines of the TRIPS Agreement."<sup>155</sup> The US concerns are exaggerated and unconvincing.

204. In the first place, Article 24.3 is not an open ended provision. It applies only with respect to measures that were in force prior to the entry into force of the WTO Agreement. Those measures should have been known to the negotiators. Even if the disciplines of the TRIPS Agreement "were essentially agreed"<sup>156</sup> as of 1991, there was nothing that prevented the participants from reopening the negotiation of Article 24.3, had they considered that other participants were taking advantage of it in order to circumvent their future TRIPS obligations. Furthermore, the conduct described by the United States would have been manifestly contrary to the requirements of the principle of good faith. The interpretation of Article 24.3 cannot be premised on the assumption that the participants in the negotiations would have acted in bad faith.

205. Moreover, the United States exaggerates the opportunities for circumvention. The EC's interpretation of Article 24.3 does not extend to measures limiting copyright or patent protection. Section 3 of Part II does not address the relationship between geographical indications and those rights. Therefore, measures limiting those rights cannot be considered as "implementing" Section 3.

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<sup>152</sup> EC FWS, paras. 312-314.

<sup>153</sup> See e.g. US SWS, paras. 189-190.

<sup>154</sup> US SWS, para. 191.

<sup>155</sup> US SWS, para. 192.

<sup>156</sup> US SWS, para. 192.

Moreover, the United States does not explain how a limitation of patent rights or other intellectual property rights could contribute to protect geographical indications. The example provided by the United States with respect to copyrights<sup>157</sup> is so contrived and unrealistic that it undermines rather than supports its argument.

206. Both complainants argue that, in any event, Article 24.3 would apply only with respect to protection provided to individual geographical indications registered prior to the entry into force of the WTO Agreement.<sup>158</sup> The complainants, however, do not address the EC's argument that this would have the consequence that Article 24.3 would impose obligations only upon those Members that protect geographical indications via a system of registration, or another system involving the recognition *ex ante* of geographical indications.

207. Furthermore, if it were considered that, for purposes of Article 24.3, a geographical indication is not "protected" unless and until it has been registered, the same interpretation should apply to Article 24.9. Accordingly, the EC would be entitled to deny protection to any US or Australian geographical indication which has not been registered or otherwise individually recognised in those countries.

208. Finally, the United States makes much of the fact that the French and the Spanish version of Article 24.3 use the Article *des/las*, respectively, before the term "geographical indication."<sup>159</sup> However, as any French speaker or Spanish speaker struggling to speak English would attest, French and Spanish use liberally determinative articles in contexts where none would be required in English. For example, in Spanish it would be grossly ungrammatical to say "indicaciones geográficas deben ser protegidas", which would be the literal translation of "geographical indications must be protected". Instead, one would have to say "*las* indicaciones geográficas deben ser protegidas", even if the phrase refers to all and not just to certain geographical indications.

#### **4. Article 17 of the TRIPS Agreement**

209. The EC has submitted in the alternative that, even if Regulation 2081/92 were found to be *prima facie* inconsistent with Article 16.1 of the TRIPS Agreement, the co-existence of geographical indications and earlier trademarks would be justified under Article 17 of the TRIPS Agreement.<sup>160</sup>

210. At the outset, it is useful to recall the differences between the terms of Article 17 and those of the exceptions provided in Article 13, with respect to copyrights, in Article 26.2, with respect to industrial designs, and in Article 30, with respect to patents. Those three provisions, like Article 17, provide for "limited" exceptions. But the similarities end there:

- unlike Article 13, Article 17 does not require that the exceptions be "confined" to "certain special cases";
- unlike Articles 13, 26.2 and 30, Article 17 does not require that the exceptions "do not conflict unreasonably with the normal exploitation" of the right; and
- unlike Articles 13, 26.2 and 30, Article 17 does not require that the exceptions "do not unreasonably prejudice the legitimate interests" of the right holder.

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<sup>157</sup> US SWS, para. 193.

<sup>158</sup> US SWS, paras. 196-197. Australia's SWS, para. 115.

<sup>159</sup> US SWS, para. 196.

<sup>160</sup> EC FWS, paras. 315-319.

211. All that is required by Article 17 is that the exception be "limited" and that it "take account of the legitimate interests of the owner of the trademark and of third parties". The EC has shown that the co-existence provided in Regulation 2081/92 fulfils both conditions.

(a) The exception is "limited"

212. The United States has advanced several arguments to the effect that the exception claimed by the EC is not "limited". All of them are without merit.

213. First, the United States contends that the exception is not "limited" because "there are no limits on the number of potential GI right holders for each individual GI".<sup>161</sup> But the same is true of other place names which do not qualify as geographical indications. Yet the United States concedes that the use of those place names may be permitted by Article 17.<sup>162</sup>

214. The United States argues that, unlike ordinary place names, geographical indications are not "descriptive terms" because they indicate not only the origin of the product but also certain product characteristics attributable to that origin.<sup>163</sup> In other words, the United States appears to be saying that geographical indications are not "descriptive terms" because they are "too descriptive". The United States concedes that a place name is a "descriptive term". And we assume that it would not dispute that a term which describes a product characteristic is also a "descriptive term". Yet, inexplicably, the United States takes the view that a term which indicates both a place name and a product characteristic linked to that place is not "descriptive". The EC does not understand this logic, which would have manifestly absurd consequences. For example, it would mean that the wine makers of the Santa Rita Hills in California would have qualified for an Article 17 exception vis-à-vis the registered trademark "Santa Rita", before the place name "Santa Rita Hills" was recognised as a geographical indication by the US authorities, but would have lost the entitlement to the exception as a result of such recognition.

215. Furthermore, the US reading of the term "descriptive" in Article 17 is in contradiction with the meaning given to that term under US trademark law. The Lanham Act prohibits the registration of terms which are "primarily geographically *descriptive*" except as collective or certification marks.<sup>164</sup> If geographical indications were not "descriptive" terms, they would be registrable as ordinary trademark marks. Yet, as the Panel is aware, the United States purports to protect geographical indications *inter alia* through their registration as certification marks.

216. The United States also argues that the exception is not "limited" because it does not require that the geographical indication be used "otherwise than as mark".<sup>165</sup> However, this is a requirement of US trademark law<sup>166</sup>, which is not provided in the trademark laws of many other Members. For example, all that is required by Australia's trademark law is that indications of origin be used "in good faith".<sup>167</sup>

217. As mentioned before, the requirement that geographical indications should not be used "as trademarks", as this term is interpreted by the United States, reflects certain pre-conceived notions as

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<sup>161</sup> US SWS, para. 205.

<sup>162</sup> US SWS, note 194.

<sup>163</sup> US SWS, note 194.

<sup>164</sup> 15 USC 1052(e) (Exhibit EC-6).

<sup>165</sup> US SWS, para. 199.

<sup>166</sup> 15 USC Section 1115(b)(4) (Exhibit EC-6).

<sup>167</sup> Section 122(1)(a) of Australia's Trade Marks Act 1995 (Exhibit EC-7). To mention but another example, Section 95 of New Zealand's Trade Marks Act 2002 (Exhibit EC-80), provides that indications of origin must be used "in accordance with honest practices in industrial or commercial matters".

to how trademarks and geographical indications should be used, which have no basis in the TRIPS Agreement and which the EC does not share. When interpreting the notion of "fair use" it is necessary to take account of local factors, such as the consumers' habits and expectations, business practices or even the production and distribution structures prevailing in each country. The United States cannot expect to export its own notions of "fairness" together with its cheese.

218. Furthermore, if geographical indications could not be used "as trademarks", as this term is understood by the United States, the use of a geographical indication could never give rise, by definition, to a likelihood of confusion with a trademark and, therefore, would not need to be justified under Article 17. Indeed, the US courts have construed the US "fair use" exception as requiring that the use of the descriptive term must not cause a likelihood of confusion.<sup>168</sup> As explained in our written submission, importing that interpretation into Article 17 would render it wholly redundant.<sup>169</sup>

(b) The exception "takes account" of the interests of the trademark owners and third parties

219. Contrary to the complainants' assertions, EC law does take account of the legitimate interests of the trademark owners and third parties.

220. First, even if the complainants' interpretation of Article 14(3) were correct and that provision did not prevent the registration of all confusing geographical indications, it would nonetheless prevent registration in those instances where the likelihood of confusion is greater, because the trademarks are particularly distinctive, and may cause a more significant prejudice to the trademark owner, because of the reputation and renown of the trademark.

221. This may be contrasted with the situation under US law, where the risk of likelihood of confusion with an existing trademark is *never* considered a relevant ground for refusing the recognition of a geographical indication for wines.<sup>170</sup> Hence the recognition of geographical indications such as "Rutherford" or "Santa Rita Hills", despite the existence of virtually identical earlier trademarks such as "Rutherford Vintners" and "Santa Rita", respectively. Once again, EC law is more protective of the rights of trademark owners than US law. Indeed, last week the Supreme Court of California upheld a California statute that prohibits the use of *any* trademarks consisting of or including a recognised geographical indication for wines of a different origin, including the trademarks grandfathered by federal labelling regulations.<sup>171</sup>

222. The United States has described Article 14(3) as a "narrow"<sup>172</sup> exception for "well-known"<sup>173</sup> trademarks. However, the term "well-known" trademarks is not used in Article 14(3). Even if the length of use and renown/reputation of the trademark were "threshold prerequisites"<sup>174</sup> for the application of Article 14(3), rather than criteria for assessing the likelihood of confusion with any trademark, there is no reason why those criteria should be construed "narrowly". Nor has the United States provided any evidence that, in practice, those criteria are being interpreted and applied "narrowly" by the EC authorities.

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<sup>168</sup> US Response to the Panel's Question No. 80.

<sup>169</sup> EC SWS, para. 342.

<sup>170</sup> See *Sociedad Anonima Viña Santa Rita v. U.S. Dept. of the Treasury*, 193 F. Supp. 2d 6 (D.D.C 2001) (Exhibit US-48).

<sup>171</sup> Exhibit EC-81.

<sup>172</sup> US SWS, para. 208.

<sup>173</sup> US SWS, para. 208.

<sup>174</sup> US SWS, para. 145.

223. Moreover, contrary to the US assertions, it is not correct that EC law "places no limits on the manner in which a geographical indication can be used".<sup>175</sup>

224. First, the specific concerns with respect to certain particular uses raised by the United States do not relate to the use of the name registered as a geographical indication, but instead to the use of *other* signs in place of or in conjunction with the registered geographical indication. Regulation 2081/92 does not confer a positive right to use those other signs.

225. Furthermore, while the right holders of a geographical indication have a positive right to use the registered name, this does not mean that they are allowed to use that name in any conceivable manner. As explained<sup>176</sup>, the use of a name registered as a geographical indication, like the use of a name registered as a trademark, is subject to the requirements of Directive 2000/13 on the labelling, presentation and advertising of foodstuffs<sup>177</sup>, and in particular to Article 2(1)(a), which provides that "the labelling and methods used must not be such as could mislead the purchaser to a material degree". This applies *inter alia* with respect to misleading statements concerning the producer or the brand of the goods.<sup>178</sup> The use of registered geographical indications is subject as well to Directive 84/450 on misleading advertising<sup>179</sup> and the unfair competition laws of the Member States, including both specific legislation and/or case law based on general tort law.<sup>180</sup>

226. The United States has dismissed this legislation as irrelevant<sup>181</sup>, but without giving any proper reason. The Directives on labelling and misleading advertising and the laws on unfair competition limit the use of geographical indications in a manner which protects the interests of competitors (including trademark owners) and third parties and are, therefore, relevant for the purposes of Article 17. The United States appears to be suggesting that only those conditions for the use of geographical indications that are provided in Regulation 2081/92 itself or in the EC trademark laws are relevant. But, once again, Article 17 does not prescribe any particular implementation method. Whether the conditions for the use of geographical indications are found in Regulation 2081/92 or in a separate legal instrument is totally irrelevant, as long as the legitimate interests of the trademark owners and of third parties are sufficiently taken into account.

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<sup>175</sup> US SWS, para. 203.

<sup>176</sup> EC FWS, para. 319. See also the responses of the EC and its Member States to the review under Article 24.2 of the TRIPS Agreement contained in document IP/C/W/117/Add10 (Exhibit EC-29).

<sup>177</sup> Exhibit EC-30.

<sup>178</sup> See also Article 3(1) of Directive 2000/13, which requires that labels must state among other things:

(7) the name, or business name and address of the manufacturer or packager, or of a seller established within the Community ...

(8) particulars of the place of origin or provenance where failure to give such particulars might mislead the consumer as to the true origin or provenance of the foodstuff.

<sup>179</sup> Exhibit EC-31. Article 2(2) defines misleading advertising as:

any advertising which in any way, including presentation, deceives or is likely to deceive the person to whom it is addressed or whom it reaches and which, by reason of its deceptive nature, is likely to affect their economic behaviour or which, for those reasons, injures or is likely to injure a competitor

<sup>180</sup> One of the aspects typically covered by such laws is the imitation of labels and packaging in cases where it cannot be addressed as a trademark infringement. See WIPO's *Introduction to Trademark Law & Practice, the Basic Concepts, a WIPO Training Manual*, Geneva 1993, 2<sup>nd</sup> Edition, pp. 97-100. (Exhibit EC-82).

<sup>181</sup> US SWS, para. 210.

B. CLAIM 20: REGULATION 2081/92 DOES NOT PROVIDE FOR A PRESUMPTION OF A LIKELIHOOD OF CONFUSION IN THE CASE OF USE OF AN IDENTICAL SIGN FOR IDENTICAL GOODS

227. The EC notes that neither Australia nor the United States appear to contest that Members are not required to restate explicitly in their legislation the evidentiary presumption that the use of identical signs for identical goods will result in a likelihood of confusion.<sup>182</sup> Furthermore, Australia takes the view that such presumption may be rebutted.<sup>183</sup>

228. The terms of Article 14(3) do not prevent the EC authorities from applying the presumption. As shown by the EC, in applying Article 14(3) the authorities must take into account not only the criteria mentioned expressly therein, but also the similarity of goods and signs. And the complainants have provided no evidence that, in practice, the EC is not applying the presumption. The Complainants, therefore, have failed to meet their burden of proof with respect to this claim.

C. CLAIMS 21 AND 22: ARTICLE 7(4) OF REGULATION 2081/92 IS INCONSISTENT WITH ARTICLE 16.1 OF THE TRIPS AGREEMENT BECAUSE IT DOES NOT PROVIDE A RIGHT OF OBJECTION

229. The EC has shown that Article 16.1 does not require to make available a right of objection with respect to the registration of another intellectual property right and that, in any event, Regulation 2081/92 does not limit the right of objection in the manner alleged by Australia.

230. Australia argues that "the terms 'jeopardise the existence' used in Article 7(4)<sup>184</sup> establish a far more rigorous standard than a likelihood of confusion".<sup>185</sup> Once again, Australia makes an unwarrantedly narrow interpretation of the terms of the Regulation. Australia's interpretation is, at most, one possible interpretation. But this is not enough to meet Australia's burden of proof. To repeat, Australia must show that the EC's own reading is unreasonable and that it is impossible to read Article 7(4) consistently with Article 16.1. As usual, Australia omits to consider other linguistic versions of the Regulation which shed light on the intention of the EC legislator. For example, in the Spanish version the terms "jeopardise the existence" have been rendered as "perjudicar la existencia". In order to show this, it is not necessary to show that "the very being of that trademark would be threatened".<sup>186</sup> Also, Australia fails to take into account the relevant context and in particular Article 7(5)(b), which provides that objections shall be decided having regard to the "likelihood of confusion".<sup>187</sup> In view of this, there would be no good reason to read Article 7(4) as limiting the grounds of objection in the manner asserted by Australia. Furthermore, the EC recalls once again that Australia has submitted no evidence that any Member State or the Commission have ever rejected a statement of objections for the reasons alleged by Australia.

231. The EC would like to clarify that, when it said in its first submission that the decisions of the Member States rejecting a statement of objection are subject to judicial review in accordance with the national law of each Member State, it was referring to the procedural requirements provided by the administrative law of each Member State, and not to the substantive grounds that can be raised before

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<sup>182</sup> See e.g. Australia's SWS, para. 137.

<sup>183</sup> Australia's SWS, para. 137.

<sup>184</sup> Articles 12b(3) and 12d(2) provide, respectively, that the criteria of Article 7(4) shall apply also with respect to the admissibility of objections to the registration of foreign geographical indications and of objections from outside the EC to EC geographical indications.

<sup>185</sup> Australia's SWS, para. 133.

<sup>186</sup> Australia's SWS, para. 133.

<sup>187</sup> Similar language is found in Articles 12b(3) and 12d(3) with regard to the registration of geographical indications from other WTO Members and third countries and to the registration of EC geographical indications, following an objection from outside the EC, respectively.



the courts of the Member States, contrary to what appears to be assumed by Australia.<sup>188</sup> Regulation 2081/92 is directly applicable, like all EC regulations. This means that if, for example, the authorities of a Member States reject a statement because they consider that the objecting party has failed to show that the proposed name does not meet the definition of geographical indication in Regulation 2081/92, the national courts are required to apply the relevant provisions of that Regulation, if necessary after requesting a preliminary ruling from the ECJ.

## **VI. THE EC MEASURE IS CONSISTENT WITH THE OBLIGATION TO PROVIDE PROTECTION TO GEOGRAPHICAL INDICATIONS UNDER ARTICLE 22.2 OF THE TRIPS AGREEMENT**

232. The complainants have not submitted any new arguments with respect to their claims under Article 22.2. The EC would like, nevertheless, to correct some incorrect factual assertions by the complainants regarding the relationship between Regulation 2081/92 and the other means of protection of geographical indications provided in EC law.

233. Australia has argued that the Directives on labelling and misleading advertising "are not Community 'law' in the sense of a Regulation with Community level effect in relation to labelling and misleading advertising in any case".<sup>189</sup> Australia goes on to suggest that Regulation 2081/92 would prevail over the measures of the Member States implementing those Directives by virtue of the principle of supremacy of Community law. Australia's arguments evidence once again a crass ignorance of the most basic principles of EC law.

234. First, a Directive is no less "Community law" than a Regulation. Further, there is no hierarchy between a Regulation and a Directive. Second, Community law prevails over the law of the Member States only where there is a conflict between them. Since the laws of the Member States implement the Directives on labelling and misleading advertising, which are themselves Community law, they cannot be said to "conflict" with EC law. To the extent that there was a conflict between the Directives and Regulation 2081/92, *quod non*, it could not be resolved by applying the principle of primacy of Community law, but instead the usual principle that the later law prevails.

235. Australia also suggests that there is a conflict between Regulation 2081/92 and the unfair competition laws of the Member States.<sup>190</sup> But it fails to provide any evidence of such conflict. In the EC, like in most countries, unfair competition laws complement the legislation on specific intellectual property rights, by providing supplementary protection.<sup>191</sup> Thus, for example, the Community Trademark Regulation contains a declaratory provision clarifying expressly that it applies without prejudice to the laws on unfair competition of the Member States.<sup>192</sup> The same is true of the Trademark Directive and of Regulation 2081/92.

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<sup>188</sup> Australia's SWS, para. 134.

<sup>189</sup> Australia's SWS, para. 146.

<sup>190</sup> Australia's SWS, para. 171.

<sup>191</sup> See e.g. Article 1(2) of WIPO's *Model Provisions on Protection Against Unfair Competition* (Exhibit AUS-9), which stipulates that those provisions "shall apply independently of, and in addition to, any legislative provisions protecting ... trademarks ... and other intellectual property subject matter". The comment to this Article reads as follows in pertinent part:

Paragraph (2) makes it clear that the availability of ... trademark ... protection does not preclude the application of the provisions against unfair competition.... The protection against unfair competition then constitutes a kind of supplementary protection, additional to the protection of specific intellectual property subject matter...

<sup>192</sup> Cf. Article 14.2:

236. For its part, the United States suggests that Article 2(1) of Regulation 2081/92 would exclude the application of the Directives on labelling and misleading advertising.<sup>193</sup> The United States has misunderstood the purpose of Article 2(1), which is to make clear that Members States cannot adopt or maintain their own national systems for protecting *specifically* geographical indications. For example, they cannot create or maintain a register of geographical indications of their own. The Directives on labelling and misleading advertising, however, do not protect geographical indications *qua* geographical indications. They provide protection against any misleading trade description, including any misleading use of indications of source or provenance, regardless of whether they qualify as geographical indications.

## VII. REGULATION 2081/92 IS CONSISTENT WITH OBLIGATIONS UNDER THE TBT AGREEMENT

237. Australia has raised two claims under the TBT Agreement:

- that Article (12)(2) of Regulation 2081/92 is incompatible with Article 2.1 of the TBT Agreement (Claim 37);
- and that Articles 4 and 10 of Regulation 2081/92 are incompatible with Article 2.2 of the TBT Agreement (Claim 38).<sup>194</sup>

238. As to the substance of these claims, the EC has already shown that Article (12)(2) of Regulation 2081/92 does not involve any discrimination between goods. As regards the requirement of inspection structures, the EC has also shown that these are indispensable for the attainment of the objectives of Regulation 2081/92. Accordingly, they cannot be considered as unnecessarily trade-restrictive.

239. However, for these questions even to arise under Article 2 TBT Agreement, Australia has to show that the relevant provisions of Regulation 2081/92 are a technical regulation. Australia's claims do not even meet this threshold test.

### A. ARTICLE (12)(2) OF REGULATION 2081/92 IS NOT A TECHNICAL REGULATION

240. First of all, as regards Article (12)(2), the core issue is that this provision does not lay down any product characteristics for identifiable products.

241. Australia has not contested that the requirement in Article (12)(2) does not apply to all products covered by the Regulation, but only to a specific class of protected names, namely homonyms.<sup>195</sup> However, Australia argues that it is sufficient that the product be "identifiable".<sup>196</sup> It is certainly true that a product need not be explicitly identified in the document.<sup>197</sup> However, the product should at least be identifiable on the basis of the document itself. This is not the case here: as long as no application has been made for the registration of protected homonymous names, it is simply not knowable to which products this requirement will apply.

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This Regulation shall not prevent actions concerning a Community trademark being brought under the law of the member States relating in particular to civil liability and unfair competition.

<sup>193</sup> US SWS, para. 216.

<sup>194</sup> Australia's FWS, para. 249 et seq.

<sup>195</sup> Australia's SWS, para. 191.

<sup>196</sup> Australia's SWS, para. 192.

<sup>197</sup> Appellate Body Report, *EC – Asbestos*, para. 70.

242. Second, Article (12)(2) does not lay down any product characteristics or labelling requirements. It merely provides that as a condition for the registration of a geographical indication, the indication of the country of origin is necessary. The specific labelling requirements will then be contained, in accordance with Article 4 (2) (h) of the Regulation, in the product specifications. Accordingly, Article (12)(2) is not a technical regulation, but simply a condition for the registration and acquisition of an intellectual property right.

243. Finally, the requirement to indicate the country of origin is also not a labelling requirement as it relates to a "product, process or production method". Contrary to the view of Australia, "origin" is a concept different from "product". Even though the origin can confer certain characteristics on a product, origin as such is not a "product characteristic". For this reason, an origin marking requirement does not fall under the definition of a technical regulation.

244. This interpretation is also required by the need for a harmonious interpretation of the WTO Agreements, which the Appellate Body has repeatedly recognised, and to which the EC has already referred above.<sup>198</sup> Article IX:1 GATT contains specific disciplines on origin marking, which exclude, as Australia has recognised, a national treatment obligation. If origin marking requirements nevertheless fell under Article 2.1 TBT Agreement, the specific rule in Article IX:1 would be devoid of its practical scope.

245. In response to the EC's reference to Article IX:1 GATT, Australia has invoked the general interpretative note to Annex 1 A to the WTO Agreement, and has argued that in case of a conflict, the TBT Agreement should prevail over the GATT.<sup>199</sup> However, the EC does not argue that there is a conflict. Rather, the EC argues that Article 2.1 TBT Agreement and Article IX:1 GATT should be interpreted in such a way as to give meaning to both of them. The natural result of such a harmonious interpretation is that, in line with the wording of the definition of a technical regulation, origin marking requirements do not fall under Article 2.1 TBT Agreement. The EC notes that otherwise, Australia's and the US's own country of origin marking requirements for imported goods would be in violation of Article 2.1 TBT Agreement (cf. Exhibits EC-66 to EC-68).

#### B. ARTICLES 4 AND 10 OF REGULATION 2081/92 ARE NOT A TECHNICAL REGULATION

246. With respect to the requirement of inspection structures laid down in Articles 4 and 10 of the Regulation, the problem is similarly that these do not lay down product characteristics. Already in its previous submissions, the EC has explained that a requirement of inspection structures would, if anything, have to be regarded as a conformity assessment procedure.<sup>200</sup>

247. In its second submission, Australia has not provided any convincing arguments in response. Australia's only new argument has been that inspection structures might be regarded as "related processes".<sup>201</sup> However, this is manifestly wrong. Point 1 of Annex 1 to the TBT Agreement refers to "product characteristics or their related processes". Accordingly, the processes must be "related" to the product characteristics, as would be the case for production processes and methods. If Australia's interpretation were correct, in contrast, then all conformity assessment procedures would automatically also become technical regulations. This would lead to a systematic overlap between the provisions of the TBT Agreement governing technical regulations and those governing conformity assessment procedures.

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<sup>198</sup> Above para. 36.

<sup>199</sup> Australia's SWS, para. 213.

<sup>200</sup> EC SWS, para. 256.

<sup>201</sup> Australia's SWS, para. 202.

248. Accordingly, none of the provisions attacked by Australia can be considered a technical regulation. Australia's claims under the TBT Agreement should accordingly be rejected.

### **VIII. CONCLUSION**

249. For the above reasons, the EC requests the Panel not to consider any claims not within its terms of reference, and to reject all other claims of the complainants.

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Thank you for your attention. This concludes our statement. We look forward to answering any questions that the Panel may wish to ask.

**ANNEX B-7**

**REPLIES BY THE EUROPEAN COMMUNITIES TO QUESTIONS  
POSED BY THE PANEL FOLLOWING THE SECOND SUBSTANTIVE MEETING**

(26 August 2004)

**Table of WTO and GATT Cases Referred to in the Responses**

<b>Short Title</b>	<b>Full Case Title and Citation</b>
<i>Canada – Pharmaceutical Patents</i>	Panel Report, <i>Canada – Patent Protection of Pharmaceutical Products</i> , WT/DS114/R, adopted 7 April 2000, DSR 2000;V, 2295.
<i>EC – Asbestos</i>	Appellate Body Report, <i>European Communities – Measures Affecting Asbestos and Asbestos-Containing Products</i> , WT/DS135/AB/R, adopted 5 April 2001
<i>EEC – Regulation on Imports of Parts and Components</i>	EEC – <i>Regulation on Imports of Parts and Components</i> , Report by the Panel adopted on 16 May 1990, L/6657 – 37S/132
<i>Korea – Various Measures on Beef</i>	Appellate Body Report, <i>Korea – Measures Affecting Imports of Fresh, Chilled and Frozen Beef</i> , WT/DS161/AB/R, WT/DS169/AB/R, adopted 10 January 2001
<i>US – Section 110(5) Copyright Act</i>	Panel Report, <i>United States – Section 110(5) of the US Copyright Act</i> , WT/DS160/R, adopted 27 July 2000, DSR 2000;VIII, 3769

**GLOSSARY**

<b>Commission, EC Commission</b>	Commission of the European Communities
<b>Committee</b>	Committee of representatives of the Member States referred to in Article 15 of Council Regulation 2081/92
<b>Community Trademark Regulation</b>	Council Regulation (EC) No 40/94, of 20 December 1993, on the Community Trademark, as amended
<b>Council, EC Council</b>	Council of the European Union
<b>Court of Justice, European Court of Justice</b>	Court of Justice of the European Communities
<b>DSU</b>	Understanding on Rules and Procedures Governing the Settlement of Disputes
<b>EC</b>	European Communities
<b>GATT</b>	General Agreement on Tariffs and Trade 1994
<b>FOS</b>	First Oral Statement
<b>FWS</b>	First Written Submission
<b>GI</b>	Geographical indication
<b>Member States, EC Member States</b>	Member States of the European Union
<b>Official Journal</b>	Official Journal of the European Union
<b>Paris Convention</b>	Stockholm Act of the Paris Convention for the protection of Industrial property, of 14 July 1967
<b>Regulation 2081/92, Regulation</b>	Council Regulation (EEC) No 2081/92 of 14 July 1992 on the protection of geographical indications and designations of origin for agricultural products and foodstuffs, as amended on the date of establishment of the Panel
<b>SCM Agreement, SCM</b>	Agreement on Subsidies and Countervailing Duties
<b>Trademarks Directive</b>	First Council Directive 89/104, of 20 December, on the Community Trademark, as amended
<b>TBT Agreement, TBT</b>	Agreement on Technical Barriers to Trade
<b>TRIPS Agreement, TRIPS</b>	Agreement on Trade-Related Aspects of Intellectual Property Rights

**US**

United States

**WTO Agreement**

Marrakesh Agreement Establishing the World Trade Organization

**Question 94**

*The Panel takes note that, in the EC's view, the specific conditions contained in Article 12(1) of Regulation (EC) No. 2081/92 do not apply to WTO Members because the introductory phrase "[w]ithout prejudice to international agreements" ensures that the WTO agreements prevail where there is a conflict with the Regulation (EC rebuttal, para. 55). Which precise EC obligations under the WTO agreements would be prejudiced by the application of those specific conditions to other WTO Members? In particular:*

(a) *would the EC's obligations under Article III:4 of GATT 1994 be prejudiced?*

1. Yes.

(b) *would the EC's obligations under Article 3.1 of the TRIPS Agreement be prejudiced? If not, please explain the relevance of your reference to the fact that the TRIPS Agreement obliges WTO Members to provide protection to GIs in accordance with Section 3 of Part II and the general provisions and basic principles of the TRIPS Agreement (EC first written submission, paras. 65-66).*

2. No. As the EC has already explained, Regulation 2081/92 does not involve any discrimination between nationals.<sup>1</sup>

3. The fact that WTO Members are obliged under the TRIPS Agreement to provide protection to geographical indications is relevant because it means that it is not justified to apply conditions of reciprocity and equivalence to other WTO Members as a precondition for the protection of geographical indications. Should another WTO Member not provide adequate protection to geographical indications, then the appropriate response, in accordance with Article 23.1 of the DSU, would be recourse to dispute settlement under the DSU.

**Question 95**

*Can the EC provide the Panel with any official statement by the Commission or any other EC institution, that the application of conditions of reciprocity and equivalence, such as those under Article 12(1) of Regulation (EC) No. 2081/92, would be inconsistent with the EC's obligations under international agreements, in particular, the WTO Agreement?*

4. The EC can refer the Panel to the statement in the TRIPS Council it made on 16 June 2004, and to which it has already referred in response to the Panel's Question No. 16.<sup>2</sup> This EC statement is also reflected in the minutes of the TRIPS Council, which are attached as Exhibit EC-83.<sup>3</sup>

5. Second, the EC can refer the Panel to the 2<sup>nd</sup> edition of the Guide to Regulation 2081/92, which the EC has provided as Exhibit EC-64. This guide was prepared by the Commission as guidance to the implementation of Regulation 2081/92, and is the most detailed and authoritative document available. The EC notes that the United States has also variously referred to this guide in support of its submissions before the Panel.<sup>4</sup>

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<sup>1</sup> EC FWS, paras. 110–111; SWS, para. 53 et seq.; EC SOS, para. 17 et seq.

<sup>2</sup> EC Response to Panel's Question 16, para. 39.

<sup>3</sup> IP/C/M/44, 19 July 2004 (para. 62–63). This should alleviate the concerns expressed by Australia "that there may not even be an official record of the EC's statement" (Australia's SWS, footnote 29).

<sup>4</sup> US FOS, para. 53; US SWS, para. 155.



6. Finally, the statements made on behalf of the EC before the Panel in the present proceedings are also official statements of the EC, and confirm that the EC does not apply conditions of reciprocity and equivalence.

### Question 96

*The EC has provided a revised Guide to Regulation (EC) No. 2081/92, dated August 2004 (Exhibit EC-64). Was this new version prepared in connection with this Panel proceeding? How is it relevant to the Panel's work if the Commission assumes no liability for its contents (see its cover page)? A new paragraph in the introduction (page 5) indicates that "the Commission reserves the right to amend procedures" and indicates the possibility of further possible revisions. Does this mean that the Guide could be changed back to the old version?*

7. The revised edition was prepared in response to the increased interest from other WTO Members in the registration of geographical indications under Regulation 2081/92. This increased interest from other WTO countries has made it desirable to include a specific section in the guide providing guidance to interested governments and applicants. The guide was not prepared in connection with the Panel proceedings. However, the EC does not exclude that the increased interest is partially caused by awareness on the part of other WTO Members of the ongoing Panel proceedings.

8. The note on the cover page, according to which "the Commission does not assume any liability for its contents", is a standard liability disclaimer, which can be found in numerous similar publications.<sup>5</sup> The intention of this disclaimer is to ensure that the extra-contractual liability of the Community cannot be invoked as regards the contents of the guide. However, it is clear that the guide, like similar such publications, is prepared with utmost care, and that its contents are highly relevant for the application and interpretation of Regulation 2081/92 by all EC institutions.

9. In fact, according to the constant case law of the European Court of Justice, where an institution has adopted rules which are not legally binding, it may nevertheless not depart from such rules without giving the reasons which have led it to do so. Otherwise, the institution would infringe the principles of equality of treatment or the protection of legitimate expectations.<sup>6</sup>

10. The final paragraph of the introduction to the guide merely states that in the light of administrative need and experience in managing applications, the Commission may modify certain practical aspects of the guide. Similarly, the Commission may also have to modify the guide if the rules contained in the basic legislative texts, and in particular Regulation 2081/92, are amended. In contrast, the Commission could not amend the guide in a way contrary to the basic legislative acts applicable.

11. There is therefore no conceivable reason why the Commission should change the Guide back to the old version. Moreover, since Regulation 2081/92 does in any event allow the registration of geographical indications from other WTO Members, such a change would not affect the possibility of such registrations under Regulation 2081/92.

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<sup>5</sup> For examples for such disclaimers, see Exhibit EC-84 and Exhibit EC-85.

<sup>6</sup> Case 148/73, *Louwage*, [1974] ECR 81, para. 12 (Exhibit EC-86); Case T-15/89, *Chemie Linz*, [1992] ECR II-1275, para. 53 (Exhibit EC-87).

**Question 97**

*The Panel takes note of the EC's responses to Panel questions nos. 16 and 17 and the EC's rebuttal, paras. 79-86. Please explain in detail how the Commission's interpretation that Article 12(1) of Regulation (EC) No. 2081/92 does not apply to WTO Members is consistent with the statements in the EC responses in the TRIPS Council review of legislation to question No. 4 posed by New Zealand and the follow-up question posed by India on page 24 in IP/Q2/EEC/1 (cited in Australia's rebuttal, para. 33, fn. 23).*

12. In response to the question posed by New Zealand, the EC gave the following response in the above-mentioned document:<sup>7</sup>

As for the protection of geographical indications of WTO Members, it is necessary to distinguish the following situations:

1. The protection pursuant to Article 22 of the TRIPS Agreement, which is guaranteed by the Member States' application of Council Directive 79/112/EEC concerning labelling (prohibition to mislead the public). In the event of a problem relating to a geographical indication of a WTO Member, the EC Member States must also ensure the possibility for the operators concerned to take legal action in their courts.
2. The *ex officio* protection pursuant to the above-mentioned Regulation 2081/92, for which either:
  - the procedure followed by Community producers as outlined above must be followed, in accordance with the principle of national treatment; or
  - a bilateral agreement should be concluded as envisaged in Article 12, when the system of protection is equivalent to the Community regime.

13. The EC considers that this response is fully compatible with its submissions in the present proceedings. As regards protection under Regulation 2081/92, the EC's response distinguishes two possible alternatives for the protection of geographical indications of WTO Members: either the normal procedure for registration to be followed on a product-specific basis, or the conclusion of a bilateral agreement where the system of protection is equivalent to the Community regime. The reference to a bilateral agreement was clearly mentioned as an alternative, not as the only possibility for the protection of geographical indications from WTO Members.

14. In response to the Question from India, the EC confirmed essentially the same, namely that bilateral agreements were an alternative, not the only route to protection of geographical indications from other WTO Members under Regulation 2081/92.<sup>8</sup>

It is important to stress that, in general, conditions provided in Article 12 of Regulation 2081/92/EEC are only required when a bilateral agreement is concluded between the EC and a WTO Member. This means that it only occurs when two parties voluntarily wish higher level of protection ("*ex officio*") than this provided under the TRIPS Agreement. So, this is not a compulsory condition but another option that can be used when systems are equivalent, in particular conditions under Article 4 (specifications) and Article 10 (inspection).

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<sup>7</sup> IP/Q2/EEC1, p. 4.

<sup>8</sup> IP/Q2/EEC1, p. 23.

15. In response to the follow-up questions from India, which concerned particularly the requirement of inspection structures, the EC once again confirmed that there were no conditions of equivalence or reciprocity, but that the EC simply applied the conditions for registration contained in Regulation 2081/92 on a non-discriminatory basis:<sup>9</sup>

(b) The inspection of the conformity for the products whose geographical name has been registered as a protected designation of origin (PDO) or a protected geographical indication (PGI) is essential to ensure the credibility of the system for the consumers. This is an essential element of the Regulation. In order to obtain the same protection (Article 13 of the Regulation), if it must be complied with by the producers established in the EC, it must also be complied with by the third country nationals, to avoid discrimination.

(c) Article 12 of Council Regulation 2081/92/EEC provides for the same protection in respect of products from third countries which meet those requirements. Therefore, nationals from other WTO Members are afforded treatment "no less favourable" than Community nationals, as required by Article 3 of the TRIPS Agreement.

(d) Under Council Regulation 2081/92/EEC, the advantage of registration is available to the nationals of all WTO Members without any distinction. Accordingly, Council Regulation 2081/92/EEC is fully consistent with the requirements of Article 4 of the TRIPS Agreement.

16. In conclusion, the EC considers that the above statements are fully consistent with its submissions in the present proceedings.

### Question 98

*Is it the EC's submission that the conditions in Article 12(1) of Regulation (EC) No. 2081/92 do not apply to WTO Members so that:*

(a) *WTO Member nationals may obtain GIs for areas located in all countries; or*

17. No. The conditions for the registration of geographical indications in Regulation 2081/92 do not depend on nationality. Inversely, nationality as such does not confer the right to register geographical indications in any particular country.

(b) *persons from all countries may obtain GIs for areas located in all WTO Members?*

18. Yes. Since the registration of geographical indications under Regulation 2081/92 does not depend on nationality, registration of a geographical indication in another WTO Member may be obtained by any group or person that complies with the requirements of Article 5 (1) and (2) of Regulation 2081/92,<sup>10</sup> regardless of nationality. Similarly, regardless of nationality, any person may use a geographical indication from another WTO Member protected under Regulation 2081/92, provided that the products are in accordance with the product specifications.

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<sup>9</sup> IP/Q2/EEC1, p. 24.

<sup>10</sup> On these requirements, and notably on the fact that they do not involve a requirement of nationality, see already EC Response to Panel's Question No. 22.

**Question 99**

*The EC has referred to other Community legal acts in relation to the meaning of the phrase "without prejudice to international agreements" (EC rebuttal, paras. 62-66). Please also refer to Regulation (EC) No. 2082/92 on certificates of specific character for agricultural products and foodstuffs, which was adopted with the Regulation at issue in this dispute. To what international agreements does the phrase "[w]ithout prejudice to international agreements" refer as used in Article 16 of that Regulation?*

19. As in the case of Article 12(1) of Regulation 2081/92,<sup>11</sup> the phrase "without prejudice to international agreements" used in Article 16 of Regulation 2082/92 refers to any international agreement concluded by the EC, including both multilateral and bilateral agreements. In the case of Regulation 2082/92, such agreements would include in particular the GATT.

**Question 100**

*In Regulation (EC) No. 753/2002 on wine (set out in Exhibit US-35), Articles 34-36 refer to "third countries", apparently to refer to both WTO and non-WTO Members. It expressly states wherever a "third country" is limited to, or excludes, WTO Members. Why was Regulation (EC) No. 2081/92 drafted in such a way that the meaning of "third country" in Articles 12 through 12d is not clearer each time it was used? Does the use of "WTO Member" together with "third country" in certain instances in Articles 12 through 12d of Regulation (EC) No. 2081/92 not suggest that the term "third country" excludes WTO Members in those articles?*

20. Regulation 753/2002 and Regulation 2081/92 are separate legal acts and were drafted at different times. The fact that there may be differences in terminology or legal drafting between Community legislative acts is an inevitable result of complex legislative procedures, and is not something that is peculiar to the EC.

21. As concerns the drafting of Regulation 2081/92, it should be recalled that several of its provisions were also drafted at different points in time. In particular, Articles 12a to 12d were inserted only in 2003. The fact that they did not use the "without prejudice language" but instead distinguished specifically between WTO Members and other third countries may be due to the heightened awareness of the concerns of WTO Members at that time. However, this does not mean that the "without prejudice" language which was included in Article 12(1) in 1992 should be ignored and deprived of its useful meaning.<sup>12</sup>

**Question 101**

*The Panel takes note of the parties' respective views on the meaning of "nationals" under the TRIPS Agreement and the Paris Convention. Without prejudice to those views, please explain in detail which nationals should be compared for the purposes of the TRIPS national treatment obligations, based on the text of the agreement.*

*Please refer to the quadrant in the third party submission of Chinese Taipei (para. 9). Both the EC and the US compare an EC national with rights to a GI located in the EC. On the US view, that national should be compared with a US national with rights to a GI located in the US. But on the EC view, that national should be compared with a US national with rights to a GI located in the EC. Would it be appropriate instead to compare all EC nationals with rights to GIs who might wish to register them under Regulation (EC) No. 2081/92, wherever the geographical areas are located, and*

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<sup>11</sup> EC SWS, para. 68.

<sup>12</sup> See also EC Responses to Panel's Questions 8 and 9.

*compare them with all US nationals with rights to GIs who might wish to register them under the Regulation, wherever the geographical areas are located?*

*More generally, is there a principle in the TRIPS Agreement that all nationals of one WTO Member with rights to a particular category of intellectual property, such as GIs, should be compared with all nationals of other WTO Members with rights to the same category of intellectual property, unless the text of the agreement indicates that with respect to particular types of products or other sub-categories, they require particular treatment?*

22. The EC does not consider that the present case requires any comparison between nationals.

23. As the EC has already explained, Regulation 2081/92 does not contain any discrimination on the basis of nationality. For this reason, the quadrant prepared by Chinese Taipei in its third party submission is not pertinent. There are no two "columns" depending on the nationality of the applicant or producer. The only relevant element to which the Regulation refers is the location of the area to which the geographical indication is related. Accordingly, the present case may require a comparison in the treatment of goods originating in the EC, in the US, or in Australia. It does not require a comparison between nationals.

### Question 102

*Is it safe to assume that persons resident or established in one country to produce agricultural products or foodstuffs will be considered "nationals" of that country for the purposes of TRIPS? Why is it, or is it not, safe to assume that applicants for GIs under Regulation (EC) No. 2081/92 are "nationals" of the country where their GI is located, for the purposes of TRIPS?*

24. It is not safe to assume that persons resident or established in one country to produce agricultural products or foodstuffs will be considered "nationals" of that country for the purposes of TRIPS. As the EC has already set out, the TRIPS Agreement, and in particular Article 3.1 thereof, uses the term "national". It requires national treatment as between nationals, not between "domiciliaries", "persons resident or established", or "products".<sup>13</sup>

25. Moreover, the EC sees no basis for the assumption apparently made by the US<sup>14</sup> that somehow, the definition of "national" might be different when agricultural products are concerned. Agricultural products are also products with an identifiable origin, which is not linked to the nationality of the producer.<sup>15</sup> Like any other product, agricultural products are subject to the disciplines of the GATT. The same also applies for foodstuffs.

26. In contrast, the TRIPS Agreement does not contain any different definition of the term "national" for agricultural products. The EC can therefore not agree that different disciplines should apply under the TRIPS Agreement to intellectual property rights depending on whether they relate to agricultural products, foodstuffs, or to other products.

### Question 103

*The Panel takes note that the EC does not exclude entirely that "under certain circumstances, measures which are neutral on their face may nonetheless constitute less favourable treatment of foreign nationals" and that the EC believes that national treatment under TRIPS should not overlap*

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<sup>13</sup> EC FWS, para. 104 et seq.; SWS, para. 28 et seq.; SOS, para. 17 et seq.

<sup>14</sup> US SOS, para. 14.

<sup>15</sup> Cf. also Article 2 of the Agreement on Agriculture, which defines the term "agricultural product" for the purposes of that agreement.

with GATT 1994 (EC response to Panel question No. 29, paras. 71 and 74). What other considerations are relevant to the assessment of *de facto* discrimination under TRIPS? What is the relevance, if any, of the fact that the TRIPS Agreement does not contain a general exceptions provision analogous to Article XX of GATT 1994?

27. So far, Article 3.1 TRIPS Agreement has never been applied on a *de facto* basis. In particular, unlike under Article III:4 GATT, there is no accepted definition of what constitutes "less favourable treatment" of nationals with regard to the protection of intellectual property rights.

28. Under Article III:4 GATT, it is accepted that "treatment no less favourable" means "according conditions of competition no less favourable to the imported product than to the like domestic product".<sup>16</sup> However, in the view of the EC, this definition is not easily transposable to Article 3.1 TRIPS.

29. First, it cannot be assumed that nationals necessarily "compete" with respect to the protection of intellectual property rights. For instance, Article 3.1 TRIPS would require that the conditions for the protection of a patent for a pharmaceutical product of a foreign national are no less favourable than the conditions for the protection of a patent for an appliance to be fitted on a motor vehicle of a domestic national. However, it does not appear that the domestic and the foreign national are in any kind of "competitive relationship". Similarly, their products are not "like products", and are therefore also not in any relationship of competition.

30. Second, it should be noted that the objective of national treatment under the GATT and the TRIPS Agreement is not identical. According to Article III:1 GATT, the overarching objective of GATT national treatment is to prevent that internal measures are applied so as "to afford protection to domestic production". As the Appellate Body has stated in *EC – Asbestos*, this objective also inspires the interpretation of Article III:4 GATT.<sup>17</sup>

31. It cannot be assumed that this same objective also underlies Article 3.1 TRIPS Agreement. Rather, the objectives of TRIPS national treatment would seem to be related to the first paragraph of the Preamble to the TRIPS Agreement, which refers to the desire "to reduce distortions and impediments to international trade, and taking into account the need to promote effective and adequate protection of intellectual property rights, and to ensure that measures and procedures to enforce intellectual property rights do not themselves become barriers to legitimate trade".

32. In the view of the EC, the complainants have made no effort to show in which way Regulation 2081/92 discriminate between nationals. Instead, they have simply referred to alleged discriminations on the basis of the area to which the geographical area is related, i.e. on the basis of the origin of the good.<sup>18</sup> However, whereas the origin of the good may be a relevant starting point for examining whether the conditions of competition between domestic and foreign goods are altered to the detriment of foreign goods, it is not a relevant starting point for examining whether there is discrimination between nationals.

33. In the view of the EC, the Panel should therefore not simply transpose the jurisprudence on *de facto* discrimination under Article III:4 GATT to Article 3.1 TRIPS Agreement. Rather, the definition of less favourable treatment of nationals in the context of Article 3.1 TRIPS Agreement would have to be based on the wording and context of the provision, including the broader objectives of the TRIPS Agreement.

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<sup>16</sup> Appellate Body Report, *Korea – Various Measures on Beef*, para. 229 (emphasis original).

<sup>17</sup> Appellate Body Report, *EC – Asbestos*, para. 94.

<sup>18</sup> Cf. most recently US SOS, para. 7 et seq.

34. In the view of the EC, there is no need for the Panel to address this complex question in the present dispute. However, if the Panel wishes to address the issue of *de facto* discrimination under the TRIPS Agreement, it should also take into account the fact that both the TRIPS and the GATT are an integral part of the WTO Agreements, and the need for a harmonious interpretation between the two. As the EC has already set out, this means that the Panel should not interpret TRIPS national treatment in such a way as to create an unnecessary potential for conflict with the GATT.<sup>19</sup>

35. This potential for conflict is particularly evident with respect to Article XX of the GATT. As the EC has already said, it considers that a number of the challenged aspects of Regulation 2081/92, if they were held to constitute less favourable treatment, would nonetheless be justified by Article XX(d) GATT. The complainants have contested the EC's submissions in this respect, but they have not contested that Article XX(d) GATT is a possible defense to their claims under the GATT. However, they have not indicated what the relevance of Article XX GATT is with respect to their analogous claims under the TRIPS.

36. In the view of the EC, it would not be in line with a harmonious interpretation that a *de facto* application of the TRIPS Agreement would render inapplicable defenses which are available to otherwise entirely identical claims under the GATT. Therefore, should the Panel consider that Regulation 2081/92 involves *de facto* discrimination, the Panel would have to resolve the issue of what is the relevance of Article XX(d) GATT with respect to those claims under the TRIPS Agreement.<sup>20</sup>

#### Question 104

*Please provide your interpretation of the term "separate customs territory" as used in footnote 1 to Article 1.3 of the TRIPS Agreement in accordance with the customary rules of treaty interpretation. What relevance can be drawn from the fact that the same term is used in Article XXVI of GATT 1994?*

37. In accordance with the customary rules of treaty interpretation as reflected in Article 31 of the Vienna Convention on the Law of Treaties, the term "separate customs territory" in footnote 1 to Article 1.3 of the TRIPS Agreement must be interpreted in accordance with the ordinary meaning to be given to the terms of the treaty in its context and in the light of its object and purpose.

38. The term "customs territory" is defined in Article XXIV.2 of the GATT to mean "any territory with respect to which separate tariffs or other regulation of commerce are maintained for a substantial part of the trade of such territory with other territories". There is no doubt that the EC, like the US or Australia, has a "customs territory" within the meaning of Article XXIV.2 of the GATT.

39. However, footnote 1 to Article 1.3 of the TRIPS Agreement does not just refer to "customs territories", but to "separate customs territories". The term "separate" is an essential part of the expression used, and must be given meaning. The adjective "separate" is defined as "separated, solitary, secluded, detached, set apart, not incorporated or joined".<sup>21</sup> In other words, the "separate customs territory" must be "separated" from something else.

40. However, it cannot be sufficient for it simply to be "separate" from the customs territory of other Members, since otherwise, any "customs territory" would also be a "separate customs territory". Rather, a separate customs territory is only a territory which otherwise constitutes part of another territory, and in particular another state, or for which another state has international responsibility.

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<sup>19</sup> See EC SOS, para. 36–37.

<sup>20</sup> See EC SOS, para. 37.

<sup>21</sup> The New Shorter Oxford English Dictionary, vol. 2, 1993, p. 2779.

Accordingly, the term "separate customs territories" applies to territories such as Hong Kong, Macao, Chinese Taipei, or certain overseas dependencies of a number of WTO Members.<sup>22</sup>

41. This interpretation is also confirmed by the objective of footnote 1. Separate customs territories which are a part of another state frequently may not have a concept of "nationality" which could be applied for the purposes of the TRIPS Agreement. The definition in footnote 1 therefore serves as a substitute for the definition of "national" in such cases. This definition is not relevant to the EC, which has a nationality.<sup>23</sup>

42. The EC's interpretation is also confirmed by the context of the provision, and notably by the use of the term "separate customs territory" in the GATT. As the Panel has rightly pointed out, Article XXVI (5) (a) GATT refers to "other territories for which [a Member] has international responsibility, except such separate customs territories as it shall notify [...]". In a similar sense, Article XXXIII also refers to "a government acting on behalf of a separate customs territory". It follows clearly that "separate customs territories" are territories for which another State has international responsibility, be it because they are part of its territory, or because they are in some other way dependent on it.

43. It is clear from these considerations that the EC cannot be considered a "separate customs territory". The EC has a customs territory which includes the territory of all its Member States. However, there is no other State which is responsible in international law for the EC, nor is the EC part of any other State. Accordingly, the EC cannot be said to be any more of a "separate customs territory" than the US or Australia.

### Question 105

*The Panel takes note of the EC's view that it is not a separate customs territory Member of the WTO within the meaning of footnote 1 to Article 1.3 of the TRIPS Agreement (EC rebuttal, para. 35).*

(a) Which natural persons does the EC consider EC nationals for the purposes of TRIPS? Are they also nationals of EC member States?

44. Article 17 (1) of the EC Treaty establishes the Citizenship of the Union, and provides that "every person holding the nationality of a Member States shall be a citizen of the Union". Accordingly, any person which is a national of a Member State is a national of the EC.

(b) Which legal persons does the EC consider EC nationals for the purposes of TRIPS? Are they also nationals of EC member States? *EC*

45. The nationality of legal persons in international law and in domestic law is a highly complex question.<sup>24</sup> Like the domestic law of most other WTO Members, EC law does not contain a specific definition of nationality for legal persons. However, Article 17 (1) of the EC Treaty is relevant by analogy. Accordingly, any legal person which is considered a national under the laws of a Member States would also be an EC national.

46. However, like the law of most other WTO Members, the law of the Member States may not contain a general definition of nationality of legal persons, but rather define nationality only for certain specific purposes. Moreover, the criteria used by Member States in this context may vary, and

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<sup>22</sup> EC SOS, para. 23.

<sup>23</sup> EC SWS, para. 27; SOS, para. 23. See also EC response to the following question.

<sup>24</sup> As background on this issue, see A.A. Fatourous, *National Legal Persons in International Law*, Encyclopaedia of Public International, vol. 3, p. 495–501 (1997) (Exhibit EC-88).



include criteria such as the law of incorporation, or the seat of the company, the nationality of shareholders, or a combination of such criteria.<sup>25</sup>

47. Moreover, it should be noted that where the nationality of legal persons is relevant for the application of Community law, Community law itself may define the relevant criteria. An example for this is Article 48 (2) of the EC Treaty, which provides that for the purposes of the freedom of establishment "companies and firms formed in accordance with the law of a Member States and having their registered office, central administration or principal place of business within the Community shall, for the purposes of this Chapter, be treated in the same way as natural persons who are nationals of Member States". However, no such definition exists for the purposes of the application of Regulation 2081/92, since nationality is not a relevant element for the application of that Regulation.

48. Moreover, the EC would like to remark that the difficulty of establishing criteria for the nationality of legal persons cannot be an excuse for substituting other definitions, such as residence or establishment, for nationality, where nationality is in fact irrelevant for the purposes of the measure in question.

### Question 106

*What are the nationalities of the applicants for GIs registered under Regulation (EC) No. 2081/92? Have there been any applicants who were not nationals of the EC member State in which the relevant GI was located? Please supply details of any that were not, and the relevant GIs. To the extent that you are aware of the nationality of persons other than the applicants who use a GI in accordance with its registration, please supply the same information.*

49. At the outset, the EC would like to clarify that the notion of "applicant" is of limited relevance in the context of the present dispute. According to Article 5 (1) of Regulation 2081/92, a group, or under certain conditions a natural person,<sup>26</sup> may apply for the registration of a geographical indication. However, the applicant is not identical with the rightholder. Since a geographical indication is a collective right, any person producing in accordance with the product specifications may use the geographical indication. The conditions for applicants are a procedural modality of the application process. They do not imply that the applicant becomes a rightholder.

50. As the EC has already said, Regulation 2081/92 does not contain any requirement as to the nationality of the applicant.<sup>27</sup> More importantly still, Regulation 2081/92 does not contain any requirement as regards the nationality of persons who use a protected name. Any person producing in accordance with the product specifications, regardless of nationality, may use the protected name.

51. Since nationality is not a relevant criterion under Regulation 2081/92, the EC does not request any information on the nationality of applicants or producers when an application for the registration is submitted. Similarly, the EC does not monitor the nationality of the producers of a product using a geographical indication.

52. Moreover, the EC would like to recall that the burden of proof for showing that Regulation 2081/92 involves discrimination on the basis of nationality is on the complainants, and not on the EC.

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<sup>25</sup> Cf. the overview in A.A. Fatourous, *National Legal Persons in International Law*, Encyclopaedia of Public International, vol. 3, p. 495–496 (1997) (Exhibit EC-88).

<sup>26</sup> These conditions are set out in Article 1 of Commission Regulation 2037/93 (Exhibit COMP-2).

<sup>27</sup> See EC Response to Panel's Question No. 22.

53. For these reasons, the EC is not able, and should not be expected to be able, to give detailed information about the nationality of producers of products using names protected under Regulation 2081/92. In fact, such information is not any more available to the EC than it is to the United States and Australia.

54. Without prejudice to these remarks, and beyond the examples of non-EC producers already referred to in previous EC submissions,<sup>28</sup> the EC can refer the Panel to at least two examples where a producer of a product using a protected name comes from a different Member State than the one where the geographical area is located:

- Lactalis, a French-based dairy group, owns Locatelli and Invernizzi, which produce among others Gorgonzola and Grana Padano (Exhibit EC-62).
- Stella Artois, a Belgian Brewery, used to produce "Kölsch" beer, a protected name for beer from the Cologne area in Germany (Exhibit EC-89).

### Question 107

*The Panel takes note of the examples of foreigners and foreign companies which have invested in Europe (EC rebuttal, para. 46 and Exhibits EC-36 to EC-39; EC second oral statement, para. 28 and Exhibits EC-61 to EC-63). Is the Larsen firm a French company? Have Suntory Limited, E & J Gallo and the Robert Mondavi family formed subsidiaries, joint ventures or other entities under the laws of France and Italy to invest in those wine estates? Did Sara Lee, Kraft Foods and Nestlé purchase companies formed under the law of an EC member State?*

*The Panel takes note that the EC argues that the possibility that these foreign nationals formed legal persons under the laws of an EC member State is not attributable to Regulation (EC) No. 2081/92 (EC second oral statement, para. 30). Is it appropriate to exclude such other factors from an examination of the WTO-consistency of the Regulation? Does the EC submit that the Panel should "pierce the corporate veil" and refer to ownership and control to determine nationality for the purposes of TRIPS?*

55. It appears from the information available on the website of Larsen Cognac that today, Larsen Cognac is a Société anonyme incorporated under French law. From the information contained in Exhibit EC-61, it appears that Al Ponte Prosciutti, an Italian limited liability company, was purchased by Sara Lee Personal Products S.p.A., an Italian cooperation. It also appears that Al Ponte Prosciutti is controlled by Aoste Holding, SA, a French Cooperation, which in turn was purchased by Sara Lee Charcuterie SA, a French cooperation belonging to the Sara Lee Group. The EC does not have specific information on the ownership situation in the other cases.

56. In the view of the EC, the measure at issue is exclusively Regulation 2081/92, which does not involve any discrimination on the basis of nationality. If, for practical considerations related for instance to taxation or labour law, a person producing in conformity with a product specification chooses to set up a legal entity in the area where the geographical indication is located, this is not related to Regulation 2081/92.

57. It is simply a practical consequence of the fact that products have to be produced in accordance with the product specifications, which may require that an important part of the production process takes place in the geographical area concerned. If the submission of the complainants were correct, then any discrimination on the basis of the origin of goods would *de facto*

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<sup>28</sup> EC SOS, para. 28.

also always be a discrimination between nationals. The EC does not consider that such an interpretation would be an appropriate interpretation of the national treatment provisions of the TRIPS and the GATT.

58. Finally, the EC does not submit that the Panel should "pierce the corporate veil" and refer to ownership and control to determine the nationality for the purposes of the TRIPS. In the view of the EC, the nationality of the legal person involved, if and where relevant, should be determined on the basis of the municipal law of the Member concerned.<sup>29</sup>

#### **Question 110**

*Does the EC contest that, to the extent that Regulation (EC) No. 2081/92 provides GI protection for EC nationals and is a law affecting EC products, GI protection for other WTO Member nationals and imported products solely through other laws, such as labelling and unfair competition, would be less favourable treatment?*

59. No. However, as regards nationals, rather than products, the EC would like to recall that Regulation 2081/92 does not provide protection on the basis of nationality.

#### **Question 111**

*Does the EC contest that national treatment and MFN obligations under TRIPS apply to TRIPS-plus protection, and apply to Regulation (EC) No. 2081/92 even to the extent that it does not merely implement the EC's obligations under Article 22?*

60. The EC does not contest that national treatment and MFN obligations under TRIPS applies to more extensive protection granted in respect to intellectual property rights addressed in the TRIPS Agreement. However, the EC contests that Regulation 2081/92 involves discrimination on the basis of nationality.

#### **Question 112**

*The Panel takes note that the Commission has not recognized any country under Article 12(3) of Regulation (EC) No. 2081/92 (EC response to Panel question No. 10, para. 22). Is the Commission obliged to recognize any country that satisfies the conditions set out in Article 12(1)?*

61. If the conditions of Article 12(1) are fulfilled, the Commission will normally recognise the country in question. However, Article 12(1) does not create any legal "obligation" as against the third country. This follows from the wording "this Regulation may apply" in Article 12(1) of Regulation 2081/92. Moreover, the EC would like to recall that the conditions of Article 12(1) do not apply to WTO Members.

#### **Question 113**

*The EC argues that there must be a substantive difference between two provisions governing the registration of GIs in order for one to entail less favourable treatment (EC second oral statement, para. 40). What is a "substantive" difference in this sense? Does the EC allege that there is a de minimis standard for less favourable treatment under TRIPS or GATT 1994? Is a simple difference in language insufficient to establish different treatment?*

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<sup>29</sup> Cf. also EC Response to Panel's Question No. 105.

62. For the purposes of Article III:4 GATT, it follows from the case law of the Appellate Body that a "substantive difference of treatment" is a difference in treatment which modifies the conditions of competition to the disadvantage of imported goods.<sup>30</sup>

63. As the EC has also explained, the definition of "less favourable treatment" for the purposes of Article 3.1 TRIPS is less clear, and cannot be assumed to be identical with that of Article III:4 GATT.<sup>31</sup> However, it would appear that in order to constitute a violation of Article 3.1 TRIPS, a measure would have to modify the conditions regarding the protection of intellectual property rights within the meaning of the TRIPS to the detriment of foreign nationals.

64. The EC does not believe that there is a *de minimis* standard for less favourable treatment under the GATT or under the TRIPS Agreement. However, as the Appellate Body has held, a formal difference in language, which does not modify the conditions of competition, cannot be held to constitute less favourable treatment under Article III:4 GATT.<sup>32</sup> Similarly, a simple difference in language which does not modify the conditions for the protection of intellectual property could not be held to constitute less favourable treatment under Article 3.1 TRIPS. This is not the application of a *de minimis* standard, but simply the application of the requirements of Article III:4 GATT and Article 3.1 TRIPS.

#### Question 114

*With respect to registration applications under Article 12a(2) of Regulation (EC) No. 2081/92, a third country must verify that the requirements of the Regulation are satisfied before it transmits the application:*

- (a) *to what extent is this designed to confirm the protection of the GI in its country of origin in accordance with Article 24.9 of the TRIPS Agreement, and to what extent does it respond to other objectives?*

65. The verification envisaged in Article 12a(2) of Regulation is intended to confirm that the requirements of the Regulation for the registration of the geographical indication are fulfilled. This means in particular that the application must contain a product specification in accordance with Article 4(2) of the Regulation. As can be seen from Article 4(2)(a) to (f), the details contained in the product specification permit to confirm that the name for which protection is sought corresponds to the definition of a geographical indication in Article 2 of Regulation 2081/92. Moreover, Article 12a(2)(b) of the Regulation also requires the third country to verify that the inspection structures required by Article 10 are established.

66. In addition, Article 12a(2)(a) of Regulation 2081/92 requires also "a description of the legal provisions and the usage and the usage on the basis of which the designation of origin or the geographical indication is protected or established in the country". The purpose of this requirement is to ensure, in accordance with Article 24.9 TRIPS Agreement, that the geographical indication for which protection is sought in the EC is also protected in its country of origin.

- (b) *is this additional to the requirement that a registration application transmitted to the Commission must be accompanied by a description of the matters set out in Article 12a(2)(a)?*

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<sup>30</sup> Appellate Body Report, *Korea – Various Measures on Beef*, para. 229. Cf. also above, para. 28.

<sup>31</sup> Cf. above para. 28 et seq.

<sup>32</sup> Appellate Body, *Korea – Various Measures on Beef*, para. 137; cf. on this also EC SOS, para. 39 et seq.

67. The protection in the country of origin is a requirement for the registration of geographical indications from third countries, which is in accordance with Article 24.9 TRIPS Agreement. As regards geographical indications from within the EC, for which protection is obtained in accordance with Regulation 2081/92, this requirement can by definition not apply.

68. However, it should also be noted that the requirement that the geographical indication is protected in its country of origin, and the other conditions of the Regulation, are closely related and will tend to overlap. If a geographical indication is protected in its country of origin, this means that according to the country of origin, the geographical indication falls under the definition of Article 22.1 TRIPS, i.e. identifies goods as originating in the territory of a Member, or a region or locality in that territory, where a given quality, reputation, or other characteristics are essentially attributable to its geographical origin. Accordingly, if a geographical indication is protected in the country of origin, this should normally also facilitate the examination of whether the name fulfils the conditions for protection under Regulation 2081/92.

- (c) *Does the Commission also examine whether the application satisfies the conditions for protection under Article 12b(1)(a)? How is this examination different from the verification by the third country?*

69. When deciding on the registration of a geographical indication from a third country, the Commission must verify whether the conditions for the registration set out in Regulation 2081/92 are met. However, in making this evaluation, the Commission will rely on the factual assessment provided by the country of origin. In fact, only on the basis of this information can the Commission verify whether the conditions for registration are fulfilled.

70. As regards the requirement that the geographical indications must be protected or established in its country of origin, this question regards the law of a third country. The Commission will therefore have to rely on the assessment provided by the third country.

### **Question 115**

*With respect to objections under Article 12b(2)(a) of Regulation (EC) No. 2081/92, what is an objection that "comes from a WTO Member"? With respect to objections under Article 12d(1) of the Regulation, what is the meaning of a person who "is from a WTO Member"? Do they both refer to the place of residence or establishment of the person who wishes to object? Must objections under both provisions be sent to the country in which the person resides or is established?*

71. In both Article 12b(2)(a) and in Article 12(d)(1), a person that "is from a WTO Member country" is a person resident or established in the WTO Member country.

72. In both cases, objections must be sent to the country in which the person resides or is established. In the case of Article 12b(2)(a), this follows from the reference to Article 12d.

### **Question 116**

*To the extent that certain responsibilities under Articles 12a and 12d(1) of Regulation (EC) No. 2081/92 are borne by non-EC WTO Members:*

- (a) *how is the EC satisfied that every other WTO Member has the authorization to carry them out? (Please refer to Brazil's response to Panel third party question No. 1) (EC second oral statement, paras. 72-77).*

73. The EC does not consider that any specific "authorization" is needed to carry out the responsibilities in Articles 12a and 12d(1).

74. As regards the confirmation that the geographical indication is protected or established in its country of origin required by Article 12a(2)(a) of Regulation 2081/92, the EC would like to recall that a) all WTO Members are obliged to provide protection to geographical indications in accordance with Article 22 TRIPS Agreement, and b) that the EC is not obliged to provide protection to geographical indications not protected in their country of origin, in accordance with Article 24.9 TRIPS Agreement. Accordingly, any WTO Member should be able to state whether it protects a geographical indication for which protection is sought in the EC. A WTO Member can therefore not argue that it does not have "authority" to state whether a geographical indication is protected in its territory, and at the same time claim that this geographical indication should be protected in the EC.

75. As regards the verification of the further requirements in Article 12a(2)(a), and notably the verification of the product specifications, this is a primarily factual verification carried out at the request of the applicant. The EC does not see why a specific "authorization" would be required for this purpose. Moreover, the EC would like to remark that the requirements of the product specifications closely reflect the requirements of Article 22.1 TRIPS Agreement. Since any WTO Member is obliged protection of geographical indications as defined in Article 22.1 TRIPS, it cannot be argued that a WTO Member "has no authority" to carry out such examinations.

76. As regards finally the transmission of the statement of objections required by Article 12d(1), this is, as the US has itself acknowledged,<sup>33</sup> a "purely ministerial act" of a kind routinely carried out by governments in many contexts.<sup>34</sup> The EC does not see why a specific "authorization" would be needed.

(b) *if other WTO Member governments lack authorization to carry them out, can they be carried out by the EC instead?*

77. No. The EC cannot make findings as to whether a geographical indication is protected under the law of a third country. Second, as regards the other requirements of Regulation 2081/92, these relate to a geographical area located in a third country, and may involve inspections and verifications in the third country. The EC does not consider that it could carry out such inspections verifications in a third country without the consent of that country. Moreover, as the EC has also explained, the verifications require intimate knowledge of the conditions in the geographical area concerned, which the EC does not have.<sup>35</sup>

(c) *to what extent does the EC itself accord no less favourable treatment to the nationals of other Members, and to what extent do other WTO Members share the implementation of that obligation? Can a Member delegate the implementation of WTO obligations to other Members with or without their prior consent?*

78. As the EC has explained in response to subquestion (a) and (b), where the registration of a geographical indication from another WTO Member is sought in the EC, that WTO Member must cooperate with the EC in two respects:

- it must enable the EC to evaluate whether the geographical indication is in accordance with the requirements of the Regulation, which reflect Article 22.1 TRIPS Agreement;

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<sup>33</sup> US Response to Panel's Question No. 38, para. 74.

<sup>34</sup> Cf. the examples given in EC Response to Panel's Question No. 37.

<sup>35</sup> See EC Response to Panel's Question No. 33, para. 81.

- it must confirm that the geographical indication is protected or established in its territory.

79. If the third country does not cooperate with the EC on these aspects, then the registration cannot be carried out. In this case, the failure to register would not be attributable to an act of the EC, but to the failure of the country of origin of the geographical indication to assume those tasks which fall within its sphere of responsibility. To this extent, it can indeed be said that with respect to the registration of geographical indications abroad, the country of origin and the country of registration share obligations.

80. The EC does not consider that it can delegate the implementation of WTO obligations to other Members without their prior consent. However, the EC considers that it can require the cooperation of other WTO Members where this is indispensable for the proper implementation of provisions of the WTO agreements, such as Article 22.1, 22.2, and 24.9 TRIPS Agreement.

- (d) *to what extent has the EC accorded certain treatment to the nationals of other WTO Members rather than to the governments of those other WTO Members?*

81. Regulation 2081/92 does not accord any treatment to nationals, but to products. It also does not accord any treatment to governments. Rather, whether a government assumes its responsibilities with respect to the registration of a geographical indication relating to its territory can only be ascertained with respect to the specific application, not with respect to the third government overall.

### Question 117

*The Panel takes note of the EC's response to Panel question No. 8 concerning the meaning of "third country" and seeks clarification as to whether "third country" as used in Article 12(2) of Regulation (EC) No. 2081/92, includes WTO Members. If so, why does the "without prejudice" clause in Article 12(1) form part of the context of Articles 12(1) and (3) but not Article 12(2)? If not, where does the Regulation cover identical GIs from the EC and other WTO Members?*

82. The reference to names "of a third country" refers to any name which has been protected under the Regulation, or for which protection is sought. Therefore, it can include names both from WTO Members and from other third countries recognized in accordance with Article 12(3).

83. The "without prejudice" clause in Article 12(1) is relevant for Article 12(3) because Article 12(3) sets out the procedure for establishing whether the conditions in Article 12(1) are met. Article 12(2) has no such specific link with Article 12(1). The fact that it is included in Article 12, and not for instance in Article 12a, is simply due to the fact that it was already contained in the original version of Regulation 2081/92.

### Question 118

*The Panel takes note that, in Australia's view, the identical GI labelling requirement would not be inconsistent with Article 2.1 of the TBT Agreement if it was applied to both EC and imported products according to date of registration, not origin. (Australia's response to Panel question No. 53). Even if Article 12(2) does not apply to EC products as well as imported products, does the Commission have the discretion to apply the same requirement according to the date of registration to EC products under Article 6(6) in order to ensure that the identical labelling requirement is applied to the later GI irrespective of the origin of the products?*

84. Yes. As the EC has already set out, where the identical names are from different countries, the clear distinction in practice would normally require the indication of the country of origin.<sup>36</sup>

### Question 119

*What is the difference, if any, in the meaning of the word "homonymous" as used in Article 6(6) of Regulation (EC) No. 2081/92 and "identical" as used in Article 12(2)? Why does the EC consider that homonyms are covered by the word "identical" in Article 12(2) (EC response to Panel question No. 43)?*

85. There is no difference. "Homonym" is defined as "a person or thing having the same name as another, a namesake".<sup>37</sup> In other words, "identical name" is a synonymous expression for "homonym".

86. Moreover, the French and the Spanish version of Regulation 2081/92 both use the same expression ("dénomination homonyme"/"denominación homónima") in both Articles 6(6) and 12(2) of Regulation 2081/92.

### Question 120

*The Panel takes note of Australia's confirmation that the only less favourable treatment under the identical GIs labelling requirement is relabelling costs (Australia's response to Panel question No. 52). Would imported products have to be relabelled? Would existing marks of origin satisfy this requirement? What does "clearly and visibly indicated" mean?*

87. Imported products would not necessarily have to be relabeled. If the country of origin is already clearly and visibly indicated on the label, then this will be sufficient. Existing marks of origin may therefore be sufficient to the extent that the country of origin is clearly and visibly indicated. To the extent that the country of origin is not indicated, the affixation of an additional label clearly and visibly indicating the country of origin would also be sufficient.

88. What "clearly and visibly indicated" means must be evaluated in each specific case from the point of view of a normal consumer. The country of origin will be clearly and visibly indicated if a normally attentive consumer can easily notice the indication, and will therefore not be induced in error as to the origin of the product concerned.

### Question 122

*Please refer to the phrase "labelling requirements as they apply to a product" as used in the definition of "technical regulation" in Annex 1.1 of the TBT Agreement.*

- (a) *The EC argues that the "origin of a product is different from the product itself" (EC response to Panel question No. 50). However, as the EC acknowledges, the origin of a product may confer specific characteristics on it. This is consistent with the definitions of designation of origin and geographical indication in Article 2 of Regulation (EC) No. 2081/92, which provide that "the quality or characteristics of the product ... are essentially or exclusively due to a particular geographical environment ..." and that the product "possesses a specific quality, reputation or other characteristics attributable to that geographical origin ...". How then is the origin of a product entitled to bear a registered GI different from the product itself?*

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<sup>36</sup> EC FWS, para. 479.

<sup>37</sup> The New Shorter Oxford English Dictionary, vol. 1, 1993, p. 1254.



89. The origin of a product is the place where the product originates. It can be a country, or a region or place in a country. The origin of a product is therefore different from the product itself.

90. Moreover, the origin of a product is also not necessarily linked to product characteristics. Where the origin does confer specific characteristics, then this may justify the protection of a geographical indication, as foreseen in the TRIPS Agreement. However, there are many cases, particularly in the case of industrial products, where the origin as such does not confer any characteristics on the product.

91. The concept of "origin" of a product is also the subject of regulation outside the TBT Agreement. Qualifying the origin of a product as a product characteristic within the meaning of the definition of a technical regulation in Point 1 of Annex 1 to the TBT Agreement would therefore risk creating unnecessary overlap and conflict between the TBT Agreement and other covered agreements.

92. One example is origin marking, which is already regulated in Article IX GATT. Another example are geographical indications, which are dealt with in the TRIPS Agreement. A third example would be Article XI:1 of the GATT, which prohibits quantitative restrictions on imports, including import bans on foreign products. If origin were a product characteristic, then an import ban could be interpreted as a technical regulation laying down that products must be of domestic origin. However, the EC sees no justification for applying Article 2.1 or 2.2 TBT Agreement to import bans, when such restrictions are already satisfactorily dealt with in the GATT.

93. Finally, the Agreement on Rules of Origin must also be mentioned in this context. According to Article 1.2 of the Agreement on Rules of Origin, the Agreement defines rules of origin in particular with respect to numerous provisions of the GATT, including explicitly Article IX GATT on marks of origin. In contrast, no mention is made of the TBT Agreement. If the TBT Agreement applied to marks of origin, however, then it would be hard to explain why Article 1.2 of the Agreement on Rules of Origin only mentions Article IX of the GATT, but not the TBT Agreement.

(b) *What is the meaning of the words "as they apply to" as used in this part of the definition? Do they refer to the application of labelling requirements to the characteristics of a product, or to the product itself, or both?*

94. The second sentence of Point 1 of Annex 1 to the TBT Agreement refers to "marking or labeling requirements as they apply to a product, process or production method". The EC would remark that a mark or a label cannot be applied to a process or production method as such. Rather, it would appear that the process and production method would be the content of the labeling requirement. Accordingly, it seems to the EC that the words "as they apply to" are meant to refer to the application of labeling requirements to characteristics of a product, process or production method.

### Question 123

*Does the requirement to display a country of origin on a label under Article 12(2) of Regulation (EC) No. 2081/92 constitute a mark of origin covered by Article IX of GATT 1994?*

95. Yes.<sup>38</sup>

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<sup>38</sup> As to the US argument to the contrary, see EC SOS, para. 128 and below para. 98.

**Question 124**

*The definition of "technical regulation" in Annex 1.1 of the TBT Agreement expressly encompasses "marking or labelling requirements as they apply to a product, process or production method". Are marks of origin and labels of origin covered by Article IX of GATT 1994 excluded from the scope of the TBT Agreement? Why did the negotiators not explicitly carve them out of its scope? Can a line be drawn between marks of origin that fall under the TBT Agreement and those that do not? What are the systemic consequences for marks of origin if they all fall within the scope of the TBT Agreement?*

96. As the EC has already explained in response to the Panel's Question 122, origin marking requirements are not a technical regulation within the meaning of the TBT Agreement, and therefore do not fall within the scope of the TBT Agreement.

97. There was no need for the drafters of the TBT Agreement to specifically exclude origin marks from the scope of the agreement if the negotiators considered that origin marking did not fall under the definition of a technical regulation.

98. In the view of the EC, it is not possible to distinguish origin marks which fall under the TBT Agreement and such which do not. The US has suggested that Article IX:1 GATT might cover only "general origin marking requirements", but not origin marking requirements covering only specific products.<sup>39</sup> As the EC has already explained, there no textual basis for such a distinction in Article IX:1 GATT.<sup>40</sup> Similarly, there is also no basis for this distinction in the definition of a technical regulation in Point 1 of Annex 1 to the TBT Agreement, which does not distinguish as to whether a technical regulation relates to many products or only to a few. Moreover, as the EC has also said, there is simply no logic to the proposition that an origin marking maybe imposed on all imported products, but not just on some.

99. As regards the systemic consequences of the complainants' interpretation, if marks of origin fell under the TBT Agreement, this would mean that any such marking requirements which apply only to imported products would be incompatible with Article 2.1 of the TBT Agreement. As a consequence, Article XI:1 GATT, which exempts origin marking from national treatment obligations would be obsolete. Similarly, origin marking requirements would be subject to Article 2.2 TBT Agreement, which would make the specific provisions of Article IX:2 to IX:6 GATT largely redundant.

**Question 125**

*To what extent would any less favourable treatment under Article 2.1 of the TBT Agreement have to be determined in light of the regulatory objective a Member is trying to pursue under Article 2.2?*

100. As evidenced by the 6<sup>th</sup> paragraph of the Preamble to the TBT Agreement, the TBT Agreement does not prejudice the right of WTO Members to pursue legitimate regulatory goals. However, frequently, the pursuit of such regulatory goals may make it necessary to discriminate between products even if consumers consider them as like, for instance on account of environmental hazards that they pose.

101. Therefore, the EC considers that the legitimate regulatory objectives of the Member concerned must be taken into account in the application of both Article 2.1 and 2.2 TBT Agreement.

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<sup>39</sup> US SWS, para. 77.

<sup>40</sup> EC SOS, para. 128.

Alternatively, the Panel would have to consider whether Article XX of the GATT is applicable within the context of the TBT Agreement.

### Question 126

*With respect to Article 10(3) of Regulation (EC) No. 2081/92:*

- (a) *the first indent sets out certain requirements for designated inspection authorities and/or approved private bodies. Do these apply to all countries whose GIs are protected under the Regulation, including non-EC member States?*

102. Yes.

- (b) *the fifth indent appears to refer only to EC member States and third countries recognized pursuant to Article 12(3). Where does the Regulation refer to the applicable standard for WTO Members not recognized pursuant to Article 12(3), whose requirements private bodies must fulfil for approval purposes?*

103. As the EC has set out earlier, the reference to the procedure in Article 12(3) is relevant only where the conditions of Article 12(1) are applicable.<sup>41</sup> Accordingly, the last subparagraph of Article 10(3) of Regulation 2081/92 applies also to WTO Members.

- (c) *the fifth indent refers to "[t]he equivalent standard or the applicable version of the equivalent standard". What equivalent standard has been established for GIs for areas located in WTO Members which do not satisfy the conditions of equivalence and reciprocity in Article 12(1)? What are the criteria for establishing that standard? Is it a matter of determining what is "equivalent" to standard EN 45011? Or is it a matter of determining what standard would fulfil the objectives of the Regulation in the light of each third country's own circumstances and conditions?*

104. No standard has been established so far. Therefore, as long as no specific standard has been established, compliance with any equivalent standard to standard EN 45011 is sufficient. In its earlier submissions, the EC has referred to ISO Standard 65:1996 as such an equivalent standard.<sup>42</sup>

105. The EC would like to note that the situation is the same for EC Member States. Although the fourth subparagraph also provides a legal basis for establishing "the standard or the applicable version of standard EN 45011", no such standard or version has so far been established. In the absence of any decision on the basis of the fourth subparagraph of Article 10 (3) of Regulation 2081/92, standard EN 45011 continues to be applied.

### Question 127

*Article 12a(2)(b) requires a declaration by a third country government that the structures provided for in Article 10 are established on its territory. Article 10(2) refers to inspection authorities and/or private bodies approved for that person by the Member State and Article 10(3) provides that where they outsource they continue to be responsible vis-à-vis the Member State for all inspections. What is the exact nature of the role that third country governments must play in the creation and maintenance of the inspection structures that are called for under Article 10?*

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<sup>41</sup> EC Response to Panel's Question No. 8; EC SOS, para. 48.

<sup>42</sup> EC FWS, para. 54 and Exhibit EC-3.

106. When a Member State or a third country approve an inspection structure, they must ascertain that the inspection structure is capable of fulfilling its functions in accordance with Article 10 (1), and that it meets the requirements of Article 10 (3) of the Regulation. Moreover, the Member State or the third country is also responsible for ensuring that the inspection body, as long as it is approved to carry out inspections, continues to comply with the requirements of Article 10 of the Regulation. How exactly the Member State or third country carries out this continued monitoring, i.e. through occasional on-the-spot checks, audits, or reporting requirements, is for each Member State or third country to decide.

### Question 131

*Which EC Directives govern conformity assessment to EC technical regulations in the goods area? To what extent do those Directives require foreign governmental involvement in the designation/approval of conformity assessment bodies, when mutual recognition agreements in the conformity assessment area do not already exist?*

107. EC Directives governing conformity assessment to EC technical regulations in the goods area are extremely numerous, so that no exhaustive list can be given.

108. However, Council Decision 93/465/EEC concerning the modules for the various phases of the conformity assessment procedures and the rules for the affixing and use of the CE conformity marking, which are intended to be used in the technical harmonization directives (Exhibit EC-90) defines certain general principles for EC conformity assessment relevant in the present context. In particular, Point A (k) of the Annex to Decision 93/465 provides as follows:

for the purposes of operating the modules, Member States must notify on their own responsibility bodies under their jurisdiction which they have chosen from the technically competent bodies complying with the requirements of the directives. This responsibility involves the obligation for the Member States to ensure that the notified bodies permanently have the technical qualifications required by the directives and that the latter keep their competent national authorities informed of the performance of their tasks. Where a Member State withdraws its notification of a body, it must take appropriate steps to ensure that the dossiers are processed by another notified body to ensure continuity;

109. Since conformity assessment bodies must be under the jurisdiction of the Member State, they must be located on the territory of that Member State. The reason for this rule is that only with respect to bodies under its jurisdiction can the Member States effectively ensure that the body properly exercises its functions. In principle, a Member State can therefore not designate a conformity assessment body located in a third country. Accordingly, the question of third country governmental involvement does not pose itself.

110. It should also be noted that the TBT Agreement explicitly foresees the possibility of Members to apply conformity assessment procedures to imported products. No provision of the TBT Agreement obliges Members to simply accept conformity assessment carried out by bodies of another Member. In fact, Article 6.1 TBT Agreement obliges Member to accept conformity assessment in other Members only under specific conditions, in particular if they are satisfied that procedures offer an assurance of conformity with applicable technical regulations or standards equivalent to their own procedures. Article 6.1 TBT Agreement moreover recognises that prior consultations may be necessary to arrive at a mutually satisfactory understanding, and Article 6.2 encourages Members to enter into negotiations for the mutual recognition of conformity assessment procedures.

111. In addition, Article 6.4 TBT Agreement "encourages" Members to permit participation of conformity assessment bodies located in the territories of other Members in their conformity assessment procedures. However, it is clear from the word "encourage" that there is no legal obligation in the TBT Agreement to permit such participation. The reason for this is that the participation of a conformity assessment requires that certain guarantees for the technical competence and capacity of the conformity assessment to be fulfilled, and that fulfilment of these criteria may be difficult to guarantee for a body located in a third country, in particular in the absence of cooperation of the government of that country.

112. The EC notes that its practice in this respect is not unique. For instance, United States regulations foresee that the United States Federal Communications commission may designate telecommunication certification bodies to approve telecommunications equipment. According to 47 CFR 68.160 (b), the Federal Communications Commission shall designate such bodies located in the United States (Exhibit EC-91).<sup>43</sup> According to 47 CFR 68.160 (c), bodies outside the United States shall be permitted to authorize equipment only "in accordance with the terms of an effective bilateral or multilateral recognition agreement or arrangement to which the United States is a party" (Exhibit EC-91).

113. It is before this background that the EC, the US and Australia have concluded mutual recognition agreements under which they agree to recognize the results of conformity assessment carried out by bodies designated by the other party.<sup>44</sup> On this basis, numerous conformity assessment bodies have been recognized under the Sectoral Annexes to the EC-US and EC-Australia MRAs.<sup>45</sup>

114. As a consequence, bodies designated by the United States and Australia can carry out conformity assessment with respect to the EC's standards, and vice versa. Accordingly, such bodies are in exactly the same situation as inspection bodies approved by the United States or Australia to carry out inspections under Regulation 2081/92. The EC considers it odd that the complainants consider themselves disadvantaged by the possibility to approve inspection structures for the purposes of Regulation 2081/92, when this possibility to directly designate conformity assessment bodies for the covered sectors was in fact the main objective of the mutual recognition agreements between the parties.

### **Question 132**

*The Panel takes note of the EC's examples of flexibility in the design of inspections structures (EC rebuttal, para. 104 and Exhibit EC-48). Do these examples all relate to the nature of the inspecting authority? Who determines what constitutes an appropriate inspection for each product, and on the basis of what criteria?*

115. The examples given relate to the nature of the inspection body, i.e. whether this body is public or private, local, regional, or national, focusing only on geographical indications or not, commercial or non-profit.

116. Regulation 2081/92 does not define what constitutes an appropriate inspection for each product. Accordingly, it is in principle for each designated inspection structure to define the concrete modalities of inspections for the products in question, for instance with respect to the place, time,

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<sup>43</sup> It appears that indeed all telecommunication certification bodies designated under this provision are located in the US (Exhibit EC-92).

<sup>44</sup> Cf. Exhibits EC-23 and EC-24. Telecommunications terminal equipment is one of the sectors covered by these agreements.

<sup>45</sup> Lists of approved conformity assessment bodies are available under <http://europa.eu.int/comm/enterprise/international/indexb1.htm#listsapprovedcabs>.

frequency, and other modalities of the inspections. In accordance with Article 10(1) of the Regulation, the basic criterion is that the inspections must effectively ensure that product bearing a protected name comply with the products specifications.

### Question 133

*The Panel takes note that Australia argues that the product specification requirements set out in Article 4(2) of Regulation (EC) No. 2081/92 include "product characteristics", in particular subparagraphs (b) and (e). (Australia's rebuttal, paras. 197 and 204) If the inspection structures are designed to ensure that the product specifications under Article 4 of the Regulation are fulfilled, how can they be a technical regulation and not a conformity assessment procedure?*

117. In the view of the EC, they cannot be both a technical regulation and a conformity assessment procedure.<sup>46</sup>

### Question 134

*The Panel takes note of the EC's response to Panel question No. 61, in particular regarding the Panel's terms of reference. However, does the EC contest that a "conformity assessment procedure" within the meaning of the TBT Agreement assesses conformity with a "technical regulation" or "standard" within the meaning of the TBT Agreement? If not, then can the EC complete its analysis and explain whether the inspection structures of Regulation (EC) No. 2081/92 assess conformity with each individual product specification referred to in Article 4 of the Regulation for a registered name, and that those specifications therefore would constitute a "technical regulation" within the meaning of the TBT Agreement?*

118. The EC does not contest that a conformity assessment procedure assesses conformity with a technical regulation or a standard as defined in Point 3 of Annex 1 to the TBT Agreement.

119. However, since Australia has not made any claim under the provision of the TBT Agreement concerning inspection structures, the EC does not consider that the Panel needs to decide whether the inspection structures are indeed conformity assessment procedures or not. Since Australia has brought its claims exclusively under Article 2 TBT Agreement, the essential question which the Panel needs to decide is whether these structures by themselves are a technical regulation. According to Point 1 of Annex 1 to the TBT Agreement, this in turn depends on whether they lay down product characteristics. The EC has raised the aspect of conformity assessment merely to illustrate its argument that structures which "ensure conformity" with requirements regarding product characteristics (whatever their legal quality may be) are not "laying down product characteristics".

120. For this reason, the EC also does not consider that this Panel should examine the question of whether the product specifications are a technical regulation, a standard, or something else. Australia has not formulated any claim regarding the specifications for any particular product or name under the TBT Agreement. Accordingly, the question whether the product specifications can be considered a technical regulation, or a standard, is outside the scope of the present Panel.

121. In addition, the EC would note that this question is highly complicated and involves complex issues regarding the relationship between the TRIPS Agreement and the TBT Agreement. Moreover, such issues could arise not just in respect to geographical indications, but also to patents, designs, copyrights, plant variety rights, or other intellectual property rights which involve the definition of product characteristics.

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<sup>46</sup> EC SWS, para. 404 et seq.; EC SOS, para. 246 et seq.

**Question 135**

*The EC invokes Article XX(d) of GATT 1994 as a defence to the national treatment and MFN claims with respect to third country governments' verification and transmittal of applications, the identical GIs labelling requirement and inspection structures requirement. The EC alleges that these requirements are "necessary" to secure compliance with Regulation (EC) No. 2081/92 or to attain the legitimate objectives of the Regulation (EC rebuttal, paras. 228-242, paras. 263-265; EC second oral statement, paras. 132-135):*

- (a) *what is the "measure" necessary to secure compliance with laws or regulations within the meaning of Article XX(d) in each case? What are the laws and regulations with which each one secures compliance? Are the "measures" separate from the laws or regulations?*

122. The "measure necessary to secure compliance with laws and regulations" are the provisions of Regulation 2081/92 which foresee the requirements of inspection structures, the verification and transmission of applications for the registration of geographical indications by the government of the country of origin, and the indication of the country of origin for homonymous geographical indications. The "laws and regulations" with which compliance is secured within the meaning of Article XX(d) of GATT are equally provisions of Regulation 2081/92. It should be noted that Article XX(d) does not exclude that the "measures necessary to secure compliance" and the "laws and regulations" may be part of the same legal act.

- (b) *can a measure that secures compliance with the "objectives" of a regulation, rather than a regulation itself, satisfy Article XX(d)?*

123. Article XX(d) GATT refers to measures necessary to "secure compliance with laws and regulations". Accordingly, the measure to be justified must secure compliance with the provisions of the law or regulation in question.<sup>47</sup> However, the objectives of a regulation may be relevant for establishing the meaning of the provisions with which compliance is secured.

- (c) *in what sense does each of these measures "secure compliance" with laws or regulations? Are they enforcement mechanisms?*

124. According to Article 4(1) of Regulation 2081/92, to be eligible to use a protected designation of origin or a protected geographical indication, an agricultural product or foodstuff must comply with a product specification. Article 8 of Regulation 2081/92 provides that the indications "protected designation of origin", "protected geographical indication" or equivalent indications may appear only on agricultural products and foodstuffs that comply with the Regulation. Accordingly, both provisions contain clear obligations with which compliance must be secured.

125. According to Article 4(2)(g), the product specifications must contain details of the inspection structures foreseen in Article 10 of the Regulation. In accordance with Article 10 (3), the function of inspection structures is to ensure that "agricultural products and foodstuffs bearing a protected name meet the requirements laid down in the specifications". Accordingly, the function of inspection structures is to secure compliance with the requirement in Article 4(1) that products bearing a protected name must comply with a product specification. Similarly, the requirement of inspections structures also secures compliance with the requirement in Article 8 of the Regulation that the indications "protected designation of origin", "protected geographical indication" or equivalent indications may appear only on agricultural products and foodstuffs that comply with the Regulation.

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<sup>47</sup> Cf. GATT Panel Report, *EEC – Regulation on Imports of Parts and Components*, paras. 5.17-5.18.

126. In accordance with Article 12a(2) of the Regulation, the verification (and incidentally also the transmission) of the application by the government of the country of origin of the geographical indication serves the purpose of establishing whether the requirements of the Regulation for the registration of geographical indications are satisfied. Among these requirements are that the indication in question corresponds to the definition of a geographical indication in Article 2 of the Regulation, that the product specifications comply with Article 4(2) of the Regulation, that the geographical indication is protected or established in its country of origin, and that the required inspection structures are established. Accordingly, the verification of the application by the government of country of origin of the geographical indication secures compliance with the requirement in Article 8 of the Regulation that the indications "protected designation of origin", "protected geographical indication" or equivalent indications may appear only on agricultural products and foodstuffs that comply with the Regulation.

127. According to the first subparagraph of Article 12(2), if a protected name of a third country is identical to a Community protected name, registration shall be granted with due regard for local and traditional usage and the practical risks of confusion. According to the second subparagraph, use of such names shall only be authorised if the country of origin of the product is clearly and visibly indicated on the label. In this way, the second subparagraph secures compliance with the first. At the same time, the second subparagraph of Article 12(2) also secures compliance with the requirement in Article 8 of the Regulation that the indications "protected designation of origin", "protected geographical indication" or equivalent indications may appear only on agricultural products and foodstuffs that comply with the Regulation.

128. The EC is not entirely sure what is understood by "enforcement mechanisms". If enforcement mechanisms are understood as mechanisms which secure compliance with the regulation *ex post*, i.e. after the registration of a particular geographical indication has taken place, then the inspection structures would qualify as "enforcement mechanisms", but possibly not the verification and transmission of applications for the registration of geographical indications by the government of the country of origin, and the indication of the country of origin for homonymous geographical indications.

129. However, the EC notes that Article XX(d) GATT does not speak of "enforcement mechanisms", but of "measures necessary to ensure compliance", including those relating to "the protection of patents, trade marks and copyrights, and the prevention of deceptive practices". There is no indication in Article XX(d) GATT that only "*ex post*" enforcement could qualify under Article XX(d) GATT. Rather, measures which secure compliance at other stages, for instance through appropriate safeguards in the registration process, may also be regarded as measures to "secure compliance". Accordingly, the verification and transmission of applications for the registration of geographical indications by the government of the country of origin, and the indication of the country of origin for homonymous geographical indications should also be regarded as "measures necessary to secure compliance" within the meaning of Article XX(d) GATT.

(d) *how are the laws and regulations with which each measure secures compliance not inconsistent with the GATT 1994?*

130. Regulation 2081/92 is a measure which provides protection to geographical indications. It implements Section 3 of Part II of the TRIPS Agreement, which obliges WTO Members to provide protection to geographical indications. It does so in providing, in accordance with Article 1.1 of the TRIPS Agreement, a higher degree of protection than that required by Article 22 TRIPS Agreement. Accordingly, Regulation 2081/29 is a measure which is not inconsistent with the GATT 1994.



**Question 136**

*With respect to the issue whether the measures are necessary to secure compliance, and without prejudice to the WTO-consistency of any alternative measures:*

- (a) *is the requirement that a third country government verify applications "necessary" to secure compliance in cases where an applicant itself is able to prove that a GI is protected in its country of origin, for example, by submitting an authenticated copy of a registration certificate?*

131. As the EC has set out above in Response to the Panel's Question 114, the verification to be carried out by the third country government does not only concern the question whether the geographical indication is protected in its country of origin, but also whether the other requirements for the registration of the geographical indication are fulfilled, namely whether the name complies with the definition of a geographical indication, whether the product specifications are in accordance with Article 4 (2) of the Regulation, and whether the necessary inspection structures are established.

132. As the EC has said in its previous submissions,<sup>48</sup> the verification of these conditions requires knowledge of local factors specific to the territory of the country of origin of the geographical indication, which typically only the country of origin will have. Moreover, the verification may also require on-site checks and verifications in the territory of the country of origin, which the EC could not carry out without the express consent of the country of origin. Accordingly, the verification of applications by the country of origin is necessary to secure compliance with the Regulation already for these aspects.

133. As regards the requirement that the geographical indication is protected in the country of origin, a certificate of registration of the geographical indication authenticated by the country of origin of the indication would normally provide sufficient evidence that the indication is protected in its country of origin. However, the EC considers that this question is hypothetical in the context of the present case. Many WTO Members, and in particular the United States and Australia, do not have specific registration systems for the protection of geographical indications. Therefore, the submission of an authenticated certificate of registration does not appear to be an option for a US or Australian geographical indication.

134. The EC would also like to recall that according to the Appellate Body, the evaluation of whether a measure is "necessary" within the meaning of Article XX(d) GATT requires "a process of weighing and balancing a series of factors which prominently include the contribution made by the compliance measure to the enforcement of the law or regulation at issue, the importance of the common interests or values protected by that law or regulation, and the accompanying impact of the law or regulation on imports or exports".<sup>49</sup> In the case of a country which does have a dedicated registration system for the protection of geographical indications, the preparation of an authenticated certificate would not pose any difficulties. Similarly, the transmission of this certificate together with the other documents required by Article 12a(2) would not seem burdensome. Accordingly, the impact on exports of this requirement in Article 12a(2) should be extremely small.

- (b) *is the requirement that a third country government verify applications "necessary" to secure compliance in cases where the third country has no registration system for GIs or where determinations that a GI is protected under unfair competition laws are only made by the judicial branch of government after litigation?*

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<sup>48</sup> EC Response to Panel's Question No. 33; EC SWS, para. 124 et seq.

<sup>49</sup> Appellate Body Report, *Korea – Various Measures on Beef*, para. 164.

135. Yes. In fact, the requirement of verification by the country of origin is particularly necessary in this case. The EC appreciates that in the absence of a specific registration system, the evaluation of whether a geographical indication is protected in its country of origin may be more difficult. However, this does not create an exemption from Article 24.9 TRIPS, according to which there is no obligation to protect geographical indications which are not protected in their country of origin. Moreover, the question whether the geographical indication is protected in the country of origin remains a question of the law of the third country. Accordingly, the absence of a specific registration system makes the involvement of the country of origin more necessary, not less.

136. The United States has claimed that "the US government does not have any specialized knowledge or expertise that would render it better qualified than the right holder, or indeed, the EC".<sup>50</sup> As the EC has already explained, the EC does not find this argument credible.<sup>51</sup> The United States and Australia cannot claim protection of geographical indications which are not protected in their country.

137. The question which branch of government in the United States or Australia is responsible for the protection of geographical indications is not relevant. Under Article 24.9 TRIPS Agreement, the United States and Australia as WTO Members cannot claim protection for geographical indications which are not protected in their country. This is entirely independent of which branch of government assures this protection in the US and Australia. It is for the United States and Australia to decide which branch of government will be entitled to establish whether a geographical indication is protected in their country in accordance with Article 24.9 TRIPS Agreement.

138. The EC would also remark that if the US or Australian executive branch did not have authority, within the US or Australian legal system, to make such findings, the EC hardly sees how the EU institutions could be expected to make them.

(c) *is the requirement that a third country government transmit applications "necessary" to secure compliance in cases where an applicant itself is able to send an application to the Commission?*

139. The transmission of the application is an integral part of the application process, which reflects the necessary involvement of the government of the country of origin in the verification of the application. By transmitting the application, the government of the country of origin certifies that it deems the requirements of Article 12a(2) to be fulfilled. For this reason, the EC submits that the requirement that the application should be transmitted by the country of origin should not be considered in isolation, but in the context of the application and verification process.

140. The United States has also indicated that it considered that the transmission of applications or objections was a "purely ministerial act" which as such would not pose particular difficulties.<sup>52</sup> In the process of weighing and balancing as required by the Appellate Body in the context of Article XX(d) GATT, it therefore would not appear that the requirement that the application be transmitted by the country of origin could be regarded as having a significant impact on imports.

141. The EC also notes that in its second oral statement, Australia has indicated that the EC could "ask for the cooperation of another WTO Member after an application has been lodged should such cooperation be necessary to assess an application".<sup>53</sup> As the EC has set out above, cooperation between the country of origin and the country of registration is necessary. What remains therefore of the Australian submission seems to be that rather than asking for the cooperation before the

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<sup>50</sup> US SWS, para. 73.

<sup>51</sup> EC SWS, para. 134; EC SOS, para. 76.

<sup>52</sup> US Response to Panel's Question No. 38, para. 74.

<sup>53</sup> Australia's SOS, para. 68.

application is filed, the EC should ask for it after it is filed. However, this is purely an issue of timing and sequencing of the application process. The EC does not see why it should make a difference whether the necessary cooperation occurs before the application is filed, or after.

- (d) *why does a third country government need to verify whether the person objecting is resident or established in the third country? Why does the Commission need consult with the third country if the statement of objection is admissible? (EC response to Panel question No. 34).*

142. First, the EC would like to note that the complainants have formulated their claims regarding the right of objection only under the TRIPS Agreement, not under the GATT.

143. Second, as the United States has indicated, the transmission of applications or objections is a "purely ministerial act" which as such would not pose particular difficulties.<sup>54</sup> This is why the EC has submitted that the transmission of applications by the government of the country of origin cannot be regarded as constituting less favorable treatment.<sup>55</sup>

144. Finally, as the EC has also indicated in response to subquestion c) above, in a process of weighing and balancing as required by Article XX(d) GATT, the pure transmission of an objection does not have any significant impact on trade in goods. Accordingly, should the Panel consider that Article XX(d) GATT is available as a defense to the complainants' claims under the TRIPS, it should find that the measure is necessary within the meaning of Article XX(d) GATT.

- (e) *is the identical GIs labelling requirement "necessary" to secure compliance in cases where there is already a clear distinction in practice in the usual presentation of the relevant products without clearly and visibly displaying the country of origin?*

145. Article 12(2) is based on the assumption that the protected names are homonyms. In such a situation, if the two homonyms are from different countries, the indication of the country appears as the most obvious distinguishing element. Accordingly, the EC considers it unlikely that an equivalent clear distinction could be achieved without the indication of the country of origin.

- (f) *is the requirement that a third country government designate inspection authorities "necessary" to secure compliance in cases where the Commission could designate them in third countries (see US second oral statement, para. 53)?*

146. The EC could not simply designate an inspection body in a third country. As the EC has explained, the designation of an inspection body may require on-site inspections and audits. Similarly, such on-site inspections and audits are also necessary at periodic intervals for the continued monitoring of the inspection body. The EC does not consider that it could carry out such inspections and audits without the agreement of the country in which the body is located.

147. In this context, the EC would like to note that certain provisions in the covered agreements give WTO Members under certain conditions the right to carry out inspections in the territory of another WTO Member. This is the case for instance for Article 6.7 AD Agreement and Article 12.6 CVD Agreement. Even here, the inspection may only be carried out, however, in accordance with the provisions of the annexes to these agreements, and if the importing Member does not object. Similar provisions implying a right to conduct investigations in another WTO Member can also be found in Article 6.3 of the SPS Agreement and in Point 2 of Annex C to the SPS Agreement.

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<sup>54</sup> US Response to Panel's Question No. 38, para. 74.

<sup>55</sup> EC SWS, para. 158.

148. However, similar provisions do not apply in the present case. The EC can therefore not simply assume that it may carry out such inspections in respect of inspection bodies for geographical indications in a third country. The designation by the third country is therefore necessary also out of respect for the territorial sovereignty of the third country.

149. This is also fully compatible with the practice of the parties in the field of conformity assessment, as explained by the EC in response to the Panel's Question No. 127. Accordingly, the designation of the inspection body by the country of origin is necessary within the meaning of Article XX(d) GATT.

- (g) *is the requirement that a third country government declare that inspection structures are established on its territory "necessary" to secure compliance in cases where an applicant could arrange for independent inspection structures to be put in place in respect of a specific product (see US second oral statement, para. 53)?*

150. As the EC has explained, inspection bodies can be public or private.<sup>56</sup> However, as the EC has also explained, inspection bodies are required by Article 10 (3) to offer adequate guarantees of objectivity and impartiality with respect to producers or processors.<sup>57</sup>

151. This reflects the fact that independently of whether they are public or private, inspection bodies fulfill a function both towards producers and to consumers. This is why the Regulation requires that inspection bodies, even if private, must be responsible to the public authorities of the territory in which they are located. Only through some form of public oversight can it be ensured that the inspection body will at all times carry out its functions duly and appropriately in accordance with the requirements of the Regulation. This is also necessary to secure equal treatment between EC and third country geographical indications, which have to comply with the same requirements.

152. Accordingly, the declaration by the government in which the inspection body is located is necessary to secure compliance with the Regulation.

- (h) *how is the requirement that a private inspection body continues to be responsible vis-à-vis a third country government "necessary" to secure compliance in cases where the EC could conduct its own inspections of foreign GIs (see US second oral statement, para. 53)?*

153. The EC cannot itself conduct inspections of foreign geographical indications. First of all, the EC does not itself have inspection bodies. Rather, for EC geographical indications, inspections bodies are carried out through a multitude of public or private bodies in the individual Member States.<sup>58</sup> Second, the carrying out of inspections typically requires a presence in or near the geographical area to which the indication is related. Finally, the EC would remark that according to Article 10(7) of Regulation 2081/92, the cost of inspections must be borne by the producers using the protected name. Accordingly, if the EC carried out such inspections for foreign geographical indications, this would result in less favourable treatment for EC geographical indications.

- (f) *how is the requirement that the inspection authorities and/or private bodies have permanently at their disposal staff and resources necessary to ensure that all products bearing GIs comply with the product specifications in their registrations? (see Australia's rebuttal submission, para. 217).*

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<sup>56</sup> EC SWS, para. 103.

<sup>57</sup> EC SOS, para. 64.

<sup>58</sup> Cf. EC SWS, para. 104 and Exhibit EC-48.

154. At the outset, the EC would like to clarify that this requirement does not apply to "all products bearing GIs". First, a particular inspection structure is only responsible, and its staff need must be determined with regard to, the specific product for which it has been designated. Second, there is no requirements that an inspection structure must examine "all" products in a physical sense. Rather, it is up to the inspection structure to decide the place, time and frequency of inspections. Obviously, such inspections may involve sampling or random checks.<sup>59</sup>

155. As regards the requirement to an inspection body must "permanently" have staff and resources at its disposal, Australia has argued that this may not be necessary in certain cases, for instance where there is a particular harvest season. Although this is not the rule for most protected products, the EC does not exclude that there might be products for which the entire production process is confined to a part of the year, and for which therefore the need for inspections arises only or primarily during that time of the year. In this case, Regulation 2081/92 does not require unnecessary levels of staff to be maintained throughout the year. In fact, since it is presumably not economic to establish and wind down an inspection body every year, in such a case it would be reasonable to entrust the function of inspections to a body which also carries out tasks other than inspections under Regulation 2081/92. In its second submission, the EC has pointed to the existence of private firms which can carry out such tasks.<sup>60</sup>

### Question 137

*The Panel takes note of the EC's view that Article 14(3) of Regulation (EC) No. 2081/92 allows its authorities to refuse or invalidate the registration of any confusing GIs (EC first written submission, para. 286; EC rebuttal, para. 270). The complainants do not agree (US second written submission, para. 166 and Australia's second written submission, para. 109). The following examples have been referred to in this proceeding:*

- (a) *BAYERISCHE BIER and BAVARIA and HØKER BAJER?*
- (b) *BUDEJOVICKÉ PIVO and BUDWEISER?*
- (c) *GORGONZOLA and CAMBOZOLA?*

*Could these GIs be used in accordance with their registrations in a way that results in a likelihood of confusion with the respective trademark(s)?*

156. At the outset, the EC would note that, of the three "examples", only the first one is relevant to this dispute.

157. The EC would recall, once again, that the names "Budejovické pivo", "Ceskobudejovické pivo" and "Budejovický měšt'anský var" were registered several months after the date of the requests for the establishment of this Panel and are, therefore, outside the Panel's terms of reference.<sup>61</sup> In any event, the EC understands that the United States does not argue that any of those names gives rise to a likelihood of confusion with the name "Budweiser". The US concerns appear to be limited to the use of some translations of those names to other languages.

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<sup>59</sup> Cf. above Response to Panels' Question No. 132.

<sup>60</sup> EC SWS para. 107 and Exhibits EC-49 and EC-50.

<sup>61</sup> EC FWS, paras. 21-25.

158. In the Cambozola case<sup>62</sup>, the right holders of the geographical indication "Gorgonzola" alleged that the use of the trademark "Cambozola" engendered one of the situations mentioned in Article 13(1) of Regulation 2081/92.<sup>63</sup> To the best of the EC's knowledge, the owner of the trademark "Cambozola" never claimed that the use of the geographical indication "Gorgonzola" gave rise to a likelihood of confusion with its trademark or that the registration of the geographical indication Gorgonzola should have been refused in accordance with Article 14(3) of Regulation 2081/92. The two issues are different and should not be confused.

159. In principle, a name which has been found not to be confusing *per se* following the assessment required by Article 14(3) should not give rise to confusion when used subsequently. The EC would submit that, in practice, this may happen only where the registered name is used together with other signs (whether verbal or figurative), or as part of a combination of signs. If those other signs, or the combination thereof, are themselves the subject of trademark rights, the trademark owner retains the right to prevent their use in a confusing manner. Even if they are not covered by trademark rights, the confusing use of those other signs, or of the combination including the geographical indication, could still be prevented under the laws on unfair competition or on misleading labelling or advertising.

160. The United States has argued that, in practice, a name registered as a geographical indication, even if not confusing *per se*, could be confusing when used in translation.<sup>64</sup> But, as already explained by the EC, the registration does not cover translations.

161. The United States also has argued that a name registered as a geographical indication which is not confusing *per se* may be confusing when used "as a trademark".<sup>65</sup> By this, apparently, the United States means that the use of a geographical indication may be confusing if displayed in a prominent way, or at least more prominently than the trademark. As explained by the EC, this reflects pre-conceived notions regarding the respective uses of trademarks and geographical indications which assume a priority of trademarks over geographical indications. The EC does not share those notions, which have no basis in the TRIPS Agreement. In making the assessment required by Article 14(3) of Regulation 2081/92, the EC authorities will assume that the geographical indication will be used in what the United States calls "trademark-like" fashion. Accordingly, the EC authorities will refuse a proposed geographical indication if it is anticipated that, when used in what the United States calls "trademark-like fashion", it will result in a likelihood of confusion with an earlier trademark.

162. Finally, the United States has argued that the use of a registered geographical indication may be confusing when the registered name is deformed, mutilated or otherwise manipulated so as to imitate a trademark.<sup>66</sup> However, as already explained by the EC, a court could consider that, in such case, the used sign is different from the registered name.<sup>67</sup>

163. As noted by the EC, the complainants are requesting the EC to provide a remedy against the confusing use of a registered geographical indications which many Members do not provide with respect to the infringement of a registered trademark by a latter registered trademark. Indeed, as discussed below, in many Members the use of registered trademark is deemed not to be an infringement of an earlier trademark, subject to the possibility to invalidate the registration of the latter trademark on the grounds that it is confusing. (See below the response to Question 139).

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<sup>62</sup> Case C-87/97, *Consortio per la tutela del frommagio Gorgonzola v Käserai Champignon Hofmeister GmbH & Co Kg*, [1999] ECR I-1301 (Exhibit EC-32).

<sup>63</sup> EC Response to the Panel's Question No. 66.

<sup>64</sup> US SWS, para. 134.

<sup>65</sup> US SWS, para. 133.

<sup>66</sup> US FOS, para. 54.

<sup>67</sup> EC SWS, para. 302.

Upholding the complainants' claims would have necessarily the implication that the trademark laws of those Members are also in violation of Article 16.1 TRIPS.

### Question 138

*What is the meaning of the phrase "[w]ith due regard to Community law" in Article 14(2) of Regulation (EC) No. 2081/92? Which aspects of "Community law" are relevant?*

164. The phrase "with due regard to Community law" clarifies that the right to use the trademark conferred by Article 14(2) of Regulation 2081/92 is not unqualified, but must be exercised in accordance with all other applicable provisions of EC law. Those provisions include not only the Community Trademark Regulation and the Trademark Directive but also, for example, the laws on labeling and unfair competition or the antitrust laws.

*What is the meaning of the phrase "shall not affect [Regulation No. 2081/92] ... and in particular Article 14 thereof" in Article 142 of Regulation (EC) No. 40/94 on the Community trade mark?*

165. It means that the relationship between Community trademarks and geographical indications registered under Regulation 2081/92 is controlled by the latter, and in particular by Article 14.

### Question 139

*The Panel takes note of the EC's view that the owner of a trademark may not prevent the right holders of a registered GI from using the registered name on the grounds that such name is confusing (EC second oral statement, para. 181). Please confirm that as long as a GI remains registered and is used in accordance with its registration, a trademark owner may not enforce his trademark rights against that use either under the Regulation on the Community trademark or the national trademark laws of the member States.*

166. The EC can confirm that a trademark owner cannot prevent the holders of a registered geographical indication from using the name or names registered under Regulation 2081/92 on the grounds that the use of such name or names is confusing *per se* with an earlier trademark.

167. As explained, however, this does not mean that the right holders of a geographical indication have an unqualified right to use the registered name in any conceivable manner. First, the right to use the registered name does not confer a right to use other names not covered by the registration, or to use the registered name together with other signs or as part of a combination of signs. Furthermore, the registered name must be used in accordance with other generally applicable laws, including in particular with the laws on labeling, misleading advertising and unfair competition.

*What legal provisions prevent the trademark owners exercising their rights against persons using a GI in accordance with its registration?*

168. Regulation 2081/92 does not contain any provision which prohibits expressly the trademark owners from exercising their rights with respect to a registered geographical indication. However, the protection provided by Regulation 2081/92 would become meaningless if a trademark owner could prevent the use of the registered name by the right holders of a geographical indication on the grounds that the use of such name is confusing *per se* with an earlier trademark.

169. The registration of a name under Regulation 2081/92 establishes a legal presumption that the use of that name as a geographical indication does not give rise *per se* to a likelihood of confusion with an earlier trademark, because otherwise the registration should have been refused in accordance

with Article 14(3). In order to be able to exercise its trademark rights, the trademark owner must rebut first that legal presumption by invalidating the registration of the geographical indication.

170. The EC would note that, by the same token, under the trademarks laws of many Members, the use of a registered trademark is deemed not to constitute an infringement of an earlier trademark, subject to the possibility to invalidate the latter trademark on those grounds.<sup>68</sup>

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<sup>68</sup> For example, Section 19 of Canada's Trade Marks Law (Exhibit EC-93) provides that:

the registration of a trade-mark in respect of any wares or services, unless shown to be invalid, gives to the owner of the trade-mark the exclusive right to the use throughout Canada of the trade-mark in respect of those wares or services.

Section 20 (1) (Exhibit EC-93) goes on to provide that the right of the owner of a registered trade-mark to its exclusive use is not deemed to be infringed by a person "entitled to its use under this Act".

Section 19(2) of Hong Kong's Trade Marks Ordinance (Exhibit EC-94) provides that:

A registered trademark is not infringed by the use of another registered trademark in relation to goods or services for which the latter is registered (but see section 53(9) for the effect of a declaration of invalidity of registration).

Section 30(2) of India's Trade Marks Act (Exhibit EC-95) provides that:

A registered trademark is not infringed where--... (e) the use of a registered trade mark, being one of two or more registered under this Act which are identical or nearly resemble each other, in exercise of the right to use that trade mark given by registration under this Act.

Section 93 of New Zealand's Trade Marks Act 2002 (Exhibit EC-96) provides that:

A registered trade mark is not infringed by the use of another registered trademark in relation to any goods or services for which that other trademark is registered.

Section 28 of Singapore's Trade Marks Act (Exhibit EC-97) provides that:

... a registered trademark is not infringed by the use of another registered trademark in relation to goods or services for which the latter is registered.

Section 34(2) of South Africa's Trade Marks Act (Exhibit EC-98) provides that:

A registered trade mark is not infringed by - .... (g) the use of any identical or confusingly or deceptively similar trade mark which is registered.

Section 11(1) of the United Kingdom's Trade Marks Act 1994 (Exhibit US-50) provides that:

A trademark is not infringed by the use of another registered trademark in relation to goods or services for which the latter is registered (but see section 47(6))(effect of declaration of invalidity of registration).

Finally, Section 122 of Australia's Trade Marks Act 1995 (Exhibit EC-7) provides that:

In spite of section 120, a person does not infringe a registered trade mark when: [...] (e) the person exercises a right to use a trade mark given to the person under this Act.



### Question 140

*Under what provision of Regulation (EC) No. 2081/92 does the registration of a GI give the right holder a positive right to use the GI?*

171. Regulation 2081/92 does not include any provision which confers expressly a positive right to use the registered name. But that right is implicit in several provisions, for example:

- Article 4(1), which provides that:

... to be eligible to use a protected designation (PDO) or a protected geographical indication (PGI) an agricultural product or foodstuff must comply with a specification.

- Article 8, which provides that:

The indications PDO, PGI or equivalent traditional national indications may appear only on agricultural products and foodstuffs that comply with this Regulation.

- Article 13(1)(a), which states that registered names shall be protected against

any direct or indirect commercial use of a name registered in respect of products not covered by the registration ...

172. Moreover, once again, if the right holders of a geographical indication did not have a positive right to use the name, the protection provided under the Regulation against other uses would be meaningless.

*How is that right delimited? Does it include translations of the protected term?*

173. The positive right to use a registered geographical indication extends to the name or names that have been entered into the "Register of protected designations of origin and protected geographical indications". The registered name or names are specified in the annex to the regulation providing for the registration of each name and are added to the annex to Regulation 2400/96<sup>69</sup>, in the case of applications under Article 6, or the annex to Regulation 1107/96<sup>70</sup>, in the case of applications under former Article 17.

174. The registered name must be used in accordance with the approved specifications, including the labeling details.

175. Subject to any restrictions provided in the specifications, the registered name may be used together with other signs (verbal or figurative) or as part of a combination of signs. But the registration under Regulation 2081/92 does not confer a positive right to use any such other signs or combination of signs. To the extent that those signs or combinations of signs are the same as, or confusingly similar to, a sign covered by a trademark right, the trademark owner is entitled to prevent their use. Even when they are not covered by trademarks rights, their use may be prevented under the laws on labeling, advertising or unfair competition.

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<sup>69</sup> Exhibit COMP-4 a.

<sup>70</sup> Exhibit COMP-3 a.

176. The positive right extends only to the linguistic versions that have been entered into the register. Thus, for example, Commission Regulation (EC) No 865/2003 provided for the registration of both the Spanish name "Cítricos Valencianos" and the Catalan name "Citrics Valencians".<sup>71</sup>

*For example, what uses do the registrations of the four cheese GIs referred to in Exhibit US-52 permit?*

177. The EC is providing herewith the approved specifications for the four products concerned (Exhibits EC-99, EC-100, EC-101, EC-102).

178. As regards labeling details, the specifications provide the following:

- Bitto: the product must be marketed with a distinguishing mark consisting of the designation of origin with the accompanying logo. The trademark and the logo are reproduced in an annex to the Italian decree recognizing the geographical indication.
- Tomme de Savoie: the specifications state the following:

L'identification du produit, conformément aux Règlements Techniques « Tomme de Savoie » 78 RA 01 et 89 RA 01 est réalisé :

– Par un étiquetage en conformité avec la réglementation générale française et européenne.

– Par un étiquetage propre au "Label Regional Savoie "

\* soit une vignette reproduisant le sigle de la Marque Savoie [reproduced in the specifications] + sigle I.G.P

\* soit sur l'étiquette commerciale de l'entreprise

– impression rouge sur fond blanc de l'appellation «TOMME DE SAVOIE »

– % de MG

– le logo de la "Marque Collective Savoie " + sigle I.G.P.

– la mention de l'Organisme Certificateur.

- Esrom: the label must contain the mention "Esrom (45 + or 60 +)" followed by the mention "Beskyttet Oprindelses-Betegnelse" or "BOB" [PDO in Danish] in all Community official languages.
- Bra: the product must be marketed with the label of the relevant manufacturers' consortium.

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<sup>71</sup> Exhibit COMP-4bi.

*How far does that positive right extend before it can be challenged under labelling and misleading advertising laws?*

179. It is difficult to define *a priori* which particular uses of a registered geographical indication may violate the provisions of the Directives on labelling and misleading advertising and/or the laws on unfair competition. This question requires necessarily a case-by-case analysis and cannot be responded in the abstract. Nevertheless, the EC will attempt to set out here below some indications.

180. The use of a geographical indication in what the United States calls "trademark- like fashion" is not sufficient to consider that it is inconsistent with those laws. Indeed, the United States appears to consider that a geographical indication is used "as a trademark" whenever it is displayed prominently, or at least more prominently than the trademark. The EC does not share this view, which assumes that trademarks enjoy priority over geographical indications. As explained, EC consumers are familiar with the use of geographical indications for foodstuffs, value them as much as trademarks, if not more, and expect them to be used in ways which the United States would like to reserve for trademarks. EC consumers are unlikely to mistake a geographical indication for foodstuff for a trademark simply because it is displayed in the label in relatively big sized letters or in attractive colours or typography.

181. On the other hand, if the holder of a geographical indication which has a right to use a certain name (say "Bayerisches Bier") were to use it in a manner which imitates the label or the packaging of the products of a trademark ("Bavaria"), this could be considered as a breach of the laws on labelling and unfair competition, even if the constituent elements of the label or the packaging, other than the trademark itself, were not covered by any intellectual property rights.

182. To mention but another example, the laws on labelling and unfair competition could be violated if the name of the geographical indication were used together with other signs or statements that suggested or indicated that the geographical indication is in fact the trademark of a producer, rather than a geographical indication. For example, if the geographical indication were used under, or close to, the terms "produced by". Or if it were used together with a sign (e.g. a Dutch flag or emblem, a map of The Netherlands, or a Dutch windmill) which suggested that the product is of the origin generally associated with the products of a co-existing trademark, rather than with that indicated by the geographical indication.

#### **Question 141**

*What is the legal basis for an action to invalidate a registration under Regulation (EC) No. 2081/92 on the grounds of confusion with a trademark?*

183. Article 14(3) of Regulation 2081/92.

*Is there any basis for an action to invalidate a GI registration in Regulation (EC) No. 40/94 on the Community trade mark?*

184. No.

**Question 142**

*The Panel takes note of the EC's view that the owner of a concurrent trademark could challenge a decision to register a GI inconsistently with Article 14(3) of Regulation (EC) No. 2081/92 even after the GI has been formally registered (EC response to Panel question No. 67; EC rebuttal paras. 270 and 296). If a trademark owner applied to invalidate a GI registration under Article 14(3):*

(a) *is this a precondition to a trademark infringement action?*

185. As explained<sup>72</sup>, the trademark owner may raise the invalidity of the registration of the geographical indication in accordance with the procedure laid down in Article 234 of the EC Treaty in the context of a trademark infringement action brought before a court of a Member State.

(b) *is there any time-limit on such an invalidation action?*

186. Applications in annulment under Article 230 of the EC Treaty must be filed within a two-month time limit. The possibility to raise the invalidity of the registration of the geographical indication under Article 234 of the EC Treaty is not subject to any time limit.

(c) *is this possibility available where the GI is registered pursuant to an Act of Accession or otherwise without the normal application procedures?*

187. So-called "fast track" registrations made pursuant to a request under former Article 17 of Regulation 2081/92 can be annulled pursuant to an action brought in accordance with Article 230 of the EC Treaty or invalidated in accordance with Article 234 of the EC Treaty under the same conditions as the registrations made pursuant to an ordinary application under Article 6 of Regulation 2081/92.

188. Contrary to what has been suggested by the United States, the registration of a geographical indication pursuant to an Act of Accession is not a frequent occurrence. In fact, of the more than 600 registrations, only one has been made pursuant to an Act of Accession: that of the names "Budejovické pivo", "Ceskobudejovické pivo" and "Budejovický mešt'anský var". As explained, this registration is not within the terms of reference of the Panel.<sup>73</sup> This registration is unique also in that it provides that it applies "without prejudice to any beer trademark or other rights existing in the European Union on the date of accession".

(d) *how would such an application for invalidation relate to the cancellation procedure in Article 11a of the Regulation? Are the grounds for cancellation in Article 11a exhaustive?*

189. The cancellation procedure presupposes that the registration is valid and produces effects *ex nunc*. The grounds for cancellation mentioned in Articles 11 and 11a are exhaustive.

**Question 143**

*The Panel takes note that the Council Decision to register BAYERISCHES BIER as a GI states that "[i]n view of the facts and information available, it was, however, considered that registration of [that name] was not liable to mislead the consumer as to the true identity of the product" (Exhibit EC-9, para. (3), cited in EC rebuttal, para. 287). Please detail what were the facts and*

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<sup>72</sup> EC SOS, para. 178.

<sup>73</sup> EC FWS, paras. 21-25.

*information to which the Council referred in that Decision and how they were evaluated so that the Panel can see how the criteria in Article 14(3) were applied in that case.*

190. The Council's decision took account of the submissions made by the interested parties and by some Member States, as well as of the discussions which took place within the Committee.

191. The main facts taken into consideration were: the similarity of the signs; the similarity of the products, having regard to the production methods and organoleptic properties; the date of registration of the trademark; the recognition of the trademark in the different Member States, having regard in particular to the level of exports; and the labeling practices of the trademark and the proposed geographical indication.

192. In essence, it was concluded that, although the products were similar, the signs were not sufficiently similar to mislead the public, having regard to the degree of recognition of the trademark in the different Member States.

#### **Question 144**

*The Panel takes note that Commission Regulation (EC) No. 1107/96 (set out in Exhibit COMP-3a), which effected the registration of many individual GIs, recites Article 14(2) and (3) of Regulation (EC) No. 2081/92. How were Article 14(2) and (3) taken into account in the registration of those GIs?*

193. As already explained, Article 14(2) is not applied by the registering authority (see EC response to Question 66). It is for the courts to decide whether a trademark falls within one of the situations mentioned in Article 13(1) and, if so, whether the trademark is entitled to co-exist in accordance with Article 14(2) or should be invalidated or revoked in accordance with the Trademark Directive and the Community Trademark Directive.

194. Regulation 1107/96 provides for the registration of names notified by the Member States in accordance under former Article 17 of Regulation 2081/92. In the context of that procedure, the EC authorities conducted the assessment provided in Article 14(3) where, because of the concerns raised directly by interested parties or by the Member States, they became aware of the existence of a potentially conflicting trademark.

195. The recital mentioned in the question is an implicit reference to the Bayerische Bier case. Because of the concerns raised by the owners of the trademarks at issue and by some Member States, the EC institutions could not reach a decision with respect to that name as of the time of the adoption of Regulation 1107/96. Therefore, that name continued to be protected at national level in accordance with the second paragraph of Article 1 of Regulation 1107/96.

#### **Question 145**

*Please refer to Article 24.5 of the TRIPS Agreement and comment on the suggestion that:*

- (a) *the phrase "shall not prejudice eligibility for or the validity of the registration of a trademark" merely creates an exception to the obligations in Articles 22.3 and 23.2 to refuse or invalidate the registration of trademarks; and*
- (b) *the phrase "shall not prejudice ... the right to use a trademark" merely creates an exception to the obligations in Articles 22.2 and 23.1 to provide the legal means to prevent certain uses and does not create any positive right.*

196. Article 24.5 is not a "mere exception" to the obligations stipulated in the provisions of Section 3 of Part II of the TRIPS Agreement mentioned in the question. The suggestion made in the question is mistaken in two fundamental respects.

197. First, Article 24.5 applies with respect to "any measures adopted to implement this section", and not just with respect to the provisions cited in the question. In accordance with Article 1.1 TRIPS, Members may implement more extensive protection of geographical indications than is required by the provisions of Section 3 of Part II cited in the question, provided that such protection does not contravene other provisions of the TRIPS Agreement. Any such additional protection is subject to the rule contained in Article 24.5, just like the minimum protection required by the provisions of Section 3 of Part II cited in the question

198. Second, Article 24.5 is drafted in mandatory terms, unlike the genuine exceptions in Articles 24.4, 24.6, 24.7 and 24.8. As a result, by limiting the obligations to protect geographical indications in Articles 22 and 23, Article 24.5 imposes simultaneously upon Members correlative obligations with respect to the protection of trademarks that go beyond those provided in Section 2 of Part II.

199. The following two examples may illustrate this:

- assume that a Member's trademark law provides that a trademark including or consisting of a geographical indication shall not be registered or, if registered, shall be invalidated.<sup>74</sup> This goes beyond the obligation stipulated in Article 22.3. Nevertheless, there is nothing in Section 2 of Part II and, more specifically, in Article 15.2, which would prevent a Member from enacting such additional protection of geographical indications. Yet, if a trademark has been registered, or applied for, before either of the two dates mentioned in Article 24.5, the Member in question would be prohibited by virtue of Article 24.5 from invalidating that trademark on the ground that such trademark is identical or similar to a geographical indication. This obligation not to invalidate certain trademarks does not result from Section 2 of Part II, or from Article 22.3, but exclusively from Article 24.5.
- assume that a Member's trademark law prohibits the use of any trademark acquired by use which is identical or similar to a subsequently recognized geographical indication. This prohibition goes beyond the obligation provided in Article 22.2. Nevertheless, it would be fully consistent with Section 2 of Part II, which provides for the "possibility"<sup>75</sup> to grant trademark rights on the basis of use, but imposes no obligation to do so. Therefore, Members are free to grant, limit or withdraw such rights at will. Yet, if the rights to the trademark in question had been acquired before either of the dates mentioned in Article 24.5, the Member concerned would be prevented from prohibiting the use of that trademark by virtue of Article 24.5. Again, this obligation does no result from Section 2 of Part II, or from Article 22.2, but exclusively from Article 24.5.

200. As shown by the above two examples, Article 24.5 imposes self-standing obligations with respect to the protection of trademarks that go beyond the obligations provided in Section 2 of Part II. Therefore, it would be manifestly incorrect to characterize Article 24.5 as a "mere exception" to the

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<sup>74</sup> The example is not hypothetical. In practice, many Members prohibit the registration of trademarks including or consisting of geographical indications. For example, Section 61 of Australia's Trade Marks Act 1995 (Exhibit EC-103) allows to oppose the registration of a sign that contains or consists of a geographical indication.

<sup>75</sup> Cf. Article 16.1 of the TRIPS Agreement.

obligations provided in other provisions of Section 3. "Exceptions" exempt from an obligation stipulated in another provision.<sup>76</sup> They do not impose positive obligations by themselves.

201. For the above reasons, Article 24.5 is not an "exception". Rather, Article 24.5 lays down a positive rule which defines in a comprehensive manner the boundary between the protection that Members *must* (in accordance with Articles 22 and 23) or *may* (in accordance with Article 1.1) afford to geographical indications and the protection which Members *must* (in accordance with Section 2 of Part II) or *may* (in accordance with Article 1.1) provide to the sub-category of "grandfathered" trademarks, as defined in Article 24.5. That rule stipulates rights and obligations which are different from, and apply in place of, those provided in Section 2, including in Article 16.1, and elsewhere in Section 3, with respect to other trademarks.

202. The special rule for grandfathered trademarks established in Article 24.5 purports to establish a compromise between the protection of trademarks and the protection of geographical indications and must be interpreted in the light of that objective. On the one hand, Article 24.5 limits the Members' right under Section 2 of Part II to refuse and invalidate the registration of a trademark on the grounds that it is identical or similar to a geographical indication. At the same time, however, Article 24.5 limits the obligations that would normally follow from the registration of one such trademark under Article 16.1, by providing that the trademark owner shall have "the right to use the trademark", but not the right to prevent the use of the trademark by the right holders of the geographical indication. This limitation, however, does not represent a real restriction of the protection of trademarks provided in Article 16.1, because it applies only within the limits of the additional protection provided in Article 24.5 with respect to "grandfathered" trademarks, which goes beyond that required by Section 2 of Part II.

#### Question 146

*The Panel takes note of the respective views of the EC and US on simultaneous exercise of rights with respect to use (EC rebuttal, para. 309 and US rebuttal, para. 119). Without prejudice to the EC's views on Article 24.5, would there be any practical conflict between the rights to prevent certain uses conferred under Articles 16.1 and 22.2 of TRIPS? Under what circumstances is it impossible for, simultaneously:*

- (a) *a trademark owner to prevent uses of a sign where such use would result in a likelihood of confusion (under Article 16.1), and*
- (b) *a right holder in a GI to prevent uses of an indication that are misleading with respect to the geographical origin of the product or which constitute unfair competition (under Article 22.2) except on the basis that the trademark is identical with, or similar to, the GI (under Article 24.5)?*

203. The EC has not argued that there is a "conflict" between the rights conferred by Article 16.1 and by Article 22.2 (or 23.1) because it is "impossible" to exercise both of them simultaneously.

204. Rather, the EC has noted that the simultaneous exercise of those two rights would lead to a situation where neither the trademark owner nor the right holders of the geographical indications could use the sign which is the subject matter of their respective right.

205. Although neither Article 16.1 nor Article 22.2 (or Article 23.1) confer expressly a positive right to use a trademark or to use a geographical indication, respectively, that right is implicit in the protection conferred by those provisions. The right to exclude others from using a sign, whether as a

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<sup>76</sup> See US SWS, para. 171.

trademark or as a geographical indication, would be meaningless unless the holders of that right were entitled to use the sign themselves.

206. The simultaneous exercise of the rights conferred by Articles 16.1 and 22.2 (and 23.1) would prevent both rights from fulfilling the purpose for which they are granted and deprive them of their *raison d'être*, which is to ensure that the right holder can enjoy the right to use the sign exclusively. By doing so, the simultaneous exercise of Articles 16.1 and 22.2 gives rise to a genuine "conflict" in substance, if not in the form. That "conflict" is resolved by Article 22.3 (and 23.2), which provides for the invalidation of the trademark, thereby effectively giving priority to the geographical indication. This "rule of conflict", however, does not apply to "grandfathered trademarks", as defined in Article 24.5, which are subject to a different rule, as explained in the response to the preceding question.

#### **Question 147**

*Article 24.5 as finally agreed contains the phrase "measures adopted to implement this Section shall not prejudice eligibility for or the validity of the registration of a trademark, or the right to use a trademark". Please comment on the suggestion that during the Uruguay Round negotiations there was a disagreement as to whether the predecessor to this provision in the Brussels Draft should be made permissive rather than mandatory, and that the choice of this language was part of an effort to reach agreement on the issue of the mandatory / permissive nature of the provision.*

207. As suggested in the question, some participants in the negotiations were of the view that Article 24.5, like the other exceptions included in Article 24, should be permissive, rather than mandatory. Among other reasons, because a "mandatory exception" would have the anomalous result of imposing upon Members obligations with respect to the protection of trademarks that go beyond those agreed as part of Section 2 of Part II.

208. Also, as suggested in the question, the wording of Article 24.5 embodies a compromise. The EC and other participants agreed to make the "exception" mandatory on the understanding that the trademark owners would have "the right to use the trademark", as specified expressly in Article 24.5, but not the right to exclude the use of the trademark by the right holders of the geographical indication.

#### **Question 148**

*What is the meaning of the phrase "where such use would result in a likelihood of confusion" as used in Article 16.1 of the TRIPS Agreement?*

209. The phrase "where such use would result in a likelihood of confusion" must be read in the context of Article 15.1. The purpose of a trademark is to distinguish the products of a given undertaking from those of other undertakings. Accordingly, there is a "likelihood of confusion" where the use of a sign gives rise to a likelihood that the public will not be able to distinguish the products of the owner of the registered trademark from the products of other undertakings bearing the sign in question.

*How should such likelihood of confusion be assessed?*

210. The TRIPS Agreement does not provide any specific guidance to assess the likelihood of confusion. In practice, most Members use similar criteria.



211. Canada's trademark law, which is one of the few to specify the criteria to assess the likelihood of confusion, provides that<sup>77</sup>

In determining whether trade-marks or trade names are confusing, the court or the Registrar, as the case may be, shall have regard to all the surrounding circumstances including

- (a) the inherent distinctiveness of the trade-marks or trade names and *the extent to which they have become known*;
- (b) *the length of time the trade-marks or trade-names have been in use*;
- (c) the nature of the wares, services or business;
- (d) the nature of the trade; and
- (e) the degree of resemblance between the trade-marks or trade names in appearance or sound or in the ideas suggested by them.

212. The tenth recital of the EC's Trademark Directive says that the appreciation of likelihood of confusion

depends on numerous elements and, in particular, on the recognition of the trade mark on the market, of the association which can be made with the used or registered sign, of the degree of similarity between the trade mark and the sign and between the goods or services identified.

213. Interpreting Article 4(1)(b) of the Trademark Directive, which is the equivalent of Article 16.1, the ECJ has held that<sup>78</sup>

The likelihood of confusion on the part of the public ... must be appreciated globally, taking into account all factors relevant to the circumstances of the case ...

A global assessment of the likelihood of confusion implies some interdependence between the relevant factors, and in particular a similarity between the trademarks and between these goods or services. Accordingly, a lesser degree of similarity between these goods or services may be offset by a greater degree of similarity between the marks, and vice-versa ...

Furthermore, ... the more distinctive the earlier mark, the greater the risk of confusion ... Since protection of a trademark depends, in accordance with Article 4.1(b) of the Directive, on there being a likelihood of confusion, marks with a highly distinctive character, either *per se* or because of the *reputation* they possess in the market, enjoy broader protection than marks with a less distinctive character.

214. In the United States, the courts have considered that the following factors may be relevant for a determination of likelihood of confusion:<sup>79</sup>

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<sup>77</sup> Section 6(5) of Canada's Trade-marks Act (Exhibit EC-73). Emphases added.

<sup>78</sup> Case C-39/97, *Canon Kabushiki Kaisha v Metro Goldwyn-Mayer Inc.*, [1998] ECR I-5507, para. 16 *et seq.* (Exhibit EC-71). Emphases added.

<sup>79</sup> *E.I. Du Pont De Nemours & Co., Application of*, 476 F. 2d 1357 (Cust. & Pat. App. 1973), 26 (Exhibit EC-73). Emphases added.

- (1) The similarity or dissimilarity of the marks in their entirety as to appearance, sound, connotation and commercial impression.
- (2) The similarity or dissimilarity of and nature of the goods or services as described in an application or registration or in connection with which a prior mark is in use.
- (3) The similarity or dissimilarity of established, likely-to-continue trade channels.
- (4) The conditions under which and buyers to whom sales are made, i.e. "impulse" vs. careful, sophisticated purchasing.
- (5) *The fame of the prior mark (sales, advertising, length of use).*
- (6) The number and nature of similar marks in use on similar goods.
- (7) The nature and extent of any actual confusion.
- (8) *The length of time during and conditions under which there has been concurrent use without evidence of actual confusion.*
- (9) The variety of goods on which a mark is or is not used (house mark, "family" mark, product mark).
- (10) The market interface between applicant and the owner of a prior mark:
  - (a) a mere "consent" to register or use.
  - (b) agreement provisions designed to preclude confusion, i.e. limitations on continued use of the marks by each party.
  - (c) assignment of mark, application, registration and good will of the related business.
  - (d) laches and estoppel attributable to owner of prior mark and indicative of lack of confusion.
- (11) The extent to which applicant has a right to exclude others from use of its mark on its goods.
- (12) The extent of potential confusion, i.e., whether *de minimis* or substantial.
- (13) Any other established fact probative of the effect of use.

*How does the assessment differ from that under Article 14(3) of Regulation (EC) No. 2081/92?*

215. The assessment made by the EC authorities under Article 14(3) is analogous to the assessment carried out by the EC trademark authorities in order to establish whether the use of a later trademark will give rise to likelihood of confusion with an earlier trademark. When applying Article 14(3), the registering authorities, or the courts, as applicable, must take into account all relevant factors, including in particular the similarity of goods and signs. As explained, length of use,

reputation and renown are mentioned expressly in Article 14(3) because geographical indications, when used as trademarks, are primarily descriptive and non-distinctive.

*In particular:*

- (a) *how should the likelihood of confusion, and the liability to mislead the consumer, be assessed with respect to a mark to which rights have not been acquired on the basis of use?*

216. In principle, the criteria for assessing likelihood of confusion/liability to mislead are the same irrespective of whether the earlier trademark has been acquired through registration or through use.

- (b) *as of what time should the likelihood of confusion, and the liability to mislead the consumer, be assessed?*

217. The "likelihood of confusion" is assessed as of the time of registration of the later trademark and/or at the time of the infringement, depending on the type of procedure in the framework of which it is alleged and of the peculiarities of each legal system for the protection of trademarks.

218. The "liability to mislead" for purposes of Article 14(3) is assessed as of the time of the registration of the geographical indication. But if a trademark owner raises the invalidity of the registration subsequently, it could rely on any relevant intervening circumstances, such as, for example, cases of actual confusion, in order to show that the initial assessment was flawed.

- (c) *are the trademark's reputation and renown and the length of time it has been used necessarily relevant to both analyses?*

219. Yes, these criteria are relevant in all cases. However, this is not saying that they will have the same weight in all cases. As emphasized by the European Court of Justice, the criteria for assessing the likelihood of confusion are "interdependent".<sup>80</sup> In general, the more similar the signs, the less important will be these criteria. On the other hand, the "weaker" (i.e. the less inherently distinctive) the trademark, the more important will become these criteria. Terms which qualify, or which may reasonably qualify as geographical indications, are primarily descriptive and non-distinctive as trademarks. Indeed, the registration of those terms as trademarks should be permitted only to the extent that they have acquired distinctiveness through use. For that reason, the public is unlikely to confuse a geographical indication with a trademark consisting of that geographical indication if the trademark has never been used and enjoys no recognition.

220. For example, assume that the name Australia, which Australia claims is a geographical indication for wine, had been registered in the EC as a trademark for wine, but that such trademark had never been used. The EC public would be unlikely to mistake wine bearing the geographical indication "Australia" for wine of the totally unknown trademark "Australia", despite the identity of the names.

### **Question 149**

*What are the differences between "confusion" and "misleads" as used in Articles 16.1 and 22.2 of the TRIPS Agreement, respectively? Do they have any bearing on the misleading standard under Article 14(3) of Regulation (EC) No. 2081/92?*

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<sup>80</sup> Case C-39/97, *Canon Kabushiki Kaisha v Metro Goldwyn-Mayer Inc.*, [1998] ECR I-5507, para. 16 *et seq.* (Exhibit EC-71).

221. The meaning of the term "mislead" in TRIPS Article 22.2 (and 22.3) does not prejudice of the meaning of the term "misleading" in Article 14(3) in Regulation 2081/92.

222. In the first place, Article 14(3) must be interpreted in the context of Regulation 2081/92, including in particular Articles 7(4) and 7(5)(b), and in accordance with the rules and principles of interpretation of EC law.

223. Moreover, Article 14(3) of Regulation 2081/92 and Article 22.2 (and 22.3) TRIPS is concerned each with a different issue. The purpose of Article 14(3) is to prevent the use of a geographical indication where it may cause an error with respect to the "identity of the product". In other words, to avoid that the public confuses the products bearing the geographical indication with the products of a given undertaking bearing an earlier trademark. This is the same type of error addressed by Article 16.1 TRIPS. In contrast, Articles 22.2 and 22.3 address the situation where the use of a sign in connection with a product may cause an error as to the geographical origin of that product.

224. Even assuming that Article 22.2 TRIPS were relevant for the interpretation of Article 14(3), from the mere fact that TRIPS Article 16.1 and Article 22.2 (and 22.3) use different terminology, it does not follow that they purport to establish substantially different standards, let alone that Article 22.2 (and 22.3) imposes a more rigorous standard, contrary to what is asserted by Australia.

225. As acknowledged by Australia, one of the ordinary meanings of "misleading" is "confusing".<sup>81</sup> That the two terms may be used interchangeably in ordinary speech, as well as in the specific context of trademark law is illustrated, for example, by the following passage of WIPO's Trademark Manual, which explains the notion of "likelihood of confusion" by saying that<sup>82</sup>

A trademark is confusingly similar to a prior trademark if it is used for similar goods and so closely resembles the prior mark that there is a likelihood of consumers being *misled* as to the origin of the goods.

226. Australia argues that a misleading use is a use "which *positively* provokes an error".<sup>83</sup> However, Australia does not explain what it means by "positively". Articles 22.2 and 22.3 do not require an "intent" to mislead on the part of the infringer. As made clear by Article 22.3, all that is required is that the use be "of such a nature as to" mislead, i.e. objectively capable of causing an error.

227. The use of different terms in Article 16.1 and in Article 22.2 (and 22.3) reflects the fact that they are concerned each with a different type of error. Article 16.1 addresses the situation where the use of two similar signs for similar goods by two different undertakings has the consequence that the public cannot distinguish between the two signs and makes the error of mistaking the goods of one of the undertakings for those of the other. In contrast, Articles 22.2 and 22.3 address the situation where the use of one sign in connection with one product leads the public to make an error with respect to the geographical origin of *that* product. The term "confusion" would not be appropriate to describe the type of error addressed in Articles 22.2 and 22.3, because that error does not involve the impossibility of distinguishing between two signs for goods of two different undertakings.

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<sup>81</sup> Australia's SWS, para. 104.

<sup>82</sup> WIPO, *Introduction to Trademark Law and Practice, The Basic Concepts, a WIPO Training Manual*, Geneva 1993, para. 6.2.2 (Exhibit EC-108). Emphasis added.

<sup>83</sup> Australia's SWS, para. 104.

### Question 151

*Please comment on the suggestion that Article 24.3 of the TRIPS Agreement was inserted in the draft text in November 1991 to make it clear that the exceptions provisions in Section 3 of Part II could not be used as a justification for diminishing a Member's pre-existing protection of GIs.*

228. Assuming that the suggestion made in the question were correct, and assuming further that the complainants' interpretation of Article 24.5 were also correct, Article 24.5 would be one of the "exceptions provisions in Section 3". Accordingly, Members could not rely upon Article 24.5 as a "justification" to diminish the re-existing protection of geographical indications.

### Question 152

*If a Member is obliged to diminish the pre-existing protection of GIs in order to allow trademark owners to exercise their rights under Article 16.1 as against GIs, does that obligation not arise under Article 16.1 rather than "[i]n implementing this Section", as used in Article 24.3?*

229. No. On the complainants' own interpretation of Article 24.5, the obligation to diminish protection would arise from the obligation imposed by Article 24.5 and not from Article 16.1. But for Article 24.5, Members would be entitled to invalidate and prohibit the use of "grandfathered" trademarks, as defined in Article 24.5, on the basis that they are identical or similar to a geographical indication, just like they are entitled to refuse or invalidate other trademarks on those grounds.

### Question 153

*Without prejudice to the EC's view that a GI confusingly similar to a trademark will not be registered, if one were registered nevertheless, in what way would this exception be "limited"? In particular, could the rights of the GI owner be limited in such a way as to minimize the likelihood of confusion?*

230. The exception is "limited" because it allows the use of the registered name only in relation to goods that originate in the area designated by the geographical indication and which, furthermore, comply with all the relevant requirements provided in the approved specifications. The trademark owner retains the right to prevent the use of the name by *any* person in relation to *any* goods which originate in a different geographical area or which do not comply with the specifications.

231. As explained by the EC<sup>84</sup>, the potential universe of uses covered by the exception claimed by the EC is narrower than the potential universe of uses of other descriptive terms, such as an indication of source which does not qualify as a geographical indication or a term used to describe a product characteristic. Yet, both Australia and the United States appear to concede that the use of those terms would qualify for an exception under Article 17.

232. Article 17 contains no requirement to the effect that the "likelihood of confusion" must be "minimized". Indeed, such a requirement would pre-empt the balancing of conflicting interests required by the second condition of Article 17. If the term "limited" required to confine the likelihood of confusion to the strictly necessary, it would be unnecessary to "take account", as a separate condition, of the interests of the trademark owner and of third parties.

233. In any event, the exception claimed by the EC limits the likelihood of confusion in two different ways.

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<sup>84</sup> EC SWS, para. 338. EC SOS, paras. 213-218.

234. First, even if the complainants' reading of Article 14(3) were correct and that provision did not prevent the registration of all geographical indications that give rise to a likelihood of confusion with an earlier trademark, it would remain that Article 14(3) would prevent registration in those cases where the likelihood of confusion would be greater, because of the recognition enjoyed by the trademark.

235. Second, the use of the geographical indication is subject to the requirements of Directive 2000/13 on the labelling, presentation and advertising of foodstuffs<sup>85</sup>, and in particular to Article 2(1)(a), which provides that "the labelling and methods used must not be such as could mislead the purchaser to a material degree". This applies *inter alia* with respect to any misleading statements concerning the producer or the brand of the goods.

236. Moreover, Article 3(1) of Directive 2000/13 requires that labels must state among other things:

(7) the name, or business name and address of the manufacturer or packager, or of a seller established within the Community ...

(8) particulars of the place of origin or provenance where failure to give such particulars might mislead the consumer as to the true origin or provenance of the foodstuff.

237. The requirement to state these particulars in the label limits the risk that the geographical indication may be mistaken for the brand name of the products.<sup>86</sup>

238. In addition, the use of registered geographical indications is subject to Directive 84/450 on misleading advertising.<sup>87</sup>

239. Finally, the use of registered geographical indications is subject to the unfair competition laws of the Member States, including both specific legislation and/or case law based on general tort law. One of the aspects typically covered by such laws is the imitation of labels and packaging in cases where it cannot be addressed as a trademark infringement.<sup>88</sup>

240. The requirement to use the registered geographical indications in accordance with the Directives on labeling and on misleading advertising and with the laws on unfair competition is equivalent to and, in practice, achieves the same effect as the requirements usually stipulated in the

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<sup>85</sup> Exhibit EC-30.

<sup>86</sup> In *Sociedad Anónima Viña Santa Rita v. U.S. Dept. of the Treasury*, 193 F. Supp. 2d 6 (D.D.C 2001) (Exhibit EC-48), the ATF argued, and the court accepted, that:

... the fact that domestic products are required to indicate name and address of the bottler or packer minimizes the likelihood of confusion between a "Santa Rita Hills" wine and a product of Santa Rita in Chile or any other place.

<sup>87</sup> Exhibit EC-31. Article 2(2) defines misleading advertising as:

any advertising which in any way, including presentation, deceives or is likely to deceive the person to whom it is addressed or whom it reaches and which, by reason of its deceptive nature, is likely to affect their economic behaviour or which, for those reasons, injures or is likely to injure a competitor.

<sup>88</sup> See WIPO's *Introduction to Trademark Law & Practice, the Basic Concepts, a WIPO Training Manual*, Geneva 1993, 2<sup>nd</sup> Edition, pp. 97-100. (Exhibit EC-82).

exceptions provided in the trademark laws of many Members with respect to the use of descriptive terms, including those used to indicate geographical origin. For example:

- Section 122(1)(b)(i) of Australia's Trade Marks Act 1995<sup>89</sup> provides that a person does not infringe a registered trademark when

The person uses a sign in good faith to indicate the ... geographical origin ... of the goods ...

- Section 19(3) of Hong Kong's Trade Marks Ordinance<sup>90</sup> provides that:

A registered trade mark is not infringed by - ....(c) the use of signs which serve to designate the ... geographical origin ... of goods ... provided the use is in accordance with honest practices in industrial or commercial matters.

- Section 95 of New Zealand's Trade Marks Act 2002<sup>91</sup> provides that

A person does not infringe a registered trademark if, in accordance with honest practices in industrial or commercial matters, the persons uses -.... c) a sign to indicate – (i) ... the geographical origin...

- Section 28 of Singapore's Trade Marks Act<sup>92</sup> provides that:

... a person does not infringe a registered trade mark when: ...(b) he uses a sign to indicate (i) the ... geographical origin ... of goods or services ... and such use is in accordance with honest practices in industrial or commercial matters.

- Section 34(1) of South Africa's Trade Marks Act<sup>93</sup> provides that:

A registered trade mark is not infringed by ... (b) the use by any person of any *bona fide* description or indication of the ... geographical origin ... of his goods ... [p]rovided that the use contemplated in paragraph (b).... is consistent with fair practice.

- Section 30(2) of India's Trade Marks Act 1999<sup>94</sup> provides that:

A registered trademark is not infringed where – (a) the use in relation to goods ... indicates the ... geographical origin ....

- Section 26(1) of Japan's Trademark Law<sup>95</sup> provides that:

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<sup>89</sup> Exhibit EC-7.

<sup>90</sup> Exhibit EC-94.

<sup>91</sup> Exhibit EC-80.

<sup>92</sup> Exhibit EC-97.

<sup>93</sup> Exhibit EC-98.

<sup>94</sup> Exhibit EC-95.

<sup>95</sup> Exhibit EC-104.

The effects of the trademark right shall not extend to the following trademarks ... (i) trademarks indicating, in a common way, the ... origin [of] of the designated goods or goods similar thereto ...

- Section 38 of Romania's Trade Marks Act<sup>96</sup> provides that:

The owner of a mark may not request that other persons be prohibited from using in the course of trade ... (b) indications concerning ... geographical origin .... with the proviso that [they] are used in accordance with honest practice.

- Section 6 of Iceland's Trade Marks Act<sup>97</sup> provides that:

Provided that the use is in accordance with honest business practice, the proprietor of a trade mark may not prohibit others from using in trade or business; .... 2. descriptions of ... [the] ... origin ... of the goods or services.

241. The above exceptions provide no requirements for using an indication of origin in co-existence with a registered trademark other than that such use must be "in good faith" or in accordance with "honest", "fair" or "proper" business or trade practices or "in a common way" and, therefore, would have to be deemed inconsistent with Article 17 if the complainants' narrow reading of that provision were upheld by the Panel.

242. The EC's own Trademark Directive<sup>98</sup> provides that:

The trademark shall not entitle the proprietor to prohibit a third party from using, in the course of trade, ... (b) indications concerning the... geographical origin...of goods ... provided he uses them in accordance with honest practices in industrial or commercial matters.

243. Similarly, Article 12(b) of the Community Trademark Regulation provides that:

The trademark shall not entitle the proprietor to prohibit a third party from using, in the course of trade, ... (b) indications concerning the ... geographical origin ... of goods ... provided he uses them in accordance with honest practices in industrial or commercial matters.<sup>99</sup>

244. It follows that, even if trademark owners were permitted to enforce their rights under the Trademark Directive or the Community Trademark Directive with respect to the confusing use of a registered geographical indication, as demanded by the complainants, the trademark owners could still not prevent such use if it is "in accordance with honest practices in industrial or commercial matters".

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<sup>96</sup> Exhibit EC-105.

<sup>97</sup> Exhibit EC-106.

<sup>98</sup> Cf. Article 6.1(b).

<sup>99</sup> See the Judgement of the ECJ of 7 January 2004 in the Case C-100/02, *Gerolsteiner Brunnen GmbH & Co. v. Putsch GmbH*, which illustrates the application of Article 6(1)(b) of the Trademark Directive with respect to geographical indications (Exhibit EC-107).



**Question 154**

*What, specifically, are "the legitimate interests of the owner of the trademark and of third parties" within the meaning of Article 17?*

245. Trademark owners have an interest in preserving the economic "value" of their rights.<sup>100</sup> That value is a function of the recognition enjoyed by the trademark, which in turn is related to the length of use and the reputation/renown acquired as a result. A trademark which has never been used or which is virtually unknown has little intrinsic value and could be easily replaced without significant prejudice to the owner.

246. The "legitimate interest" of the trademark owner must not be equated with the full enjoyment of the exclusivity rights granted by Article 16.1. There are circumstances in which the exercise of those rights may not be "legitimate", having regard to the purposes for which trademark rights are granted and/or having regard to the legitimate interests of other parties.

247. Thus, in *Canada – Pharmaceutical Patents*, the Panel rejected an argument to the effect that the patent owner had a "legitimate interest" in "the full enjoyment of its patent rights". The Panel noted, among other things that<sup>101</sup>

... a definition equating "legitimate interests" with legal interests makes no sense at all when applied to the final phrase of Article 30 referring to the "legitimate interests" of third parties. Third parties are by definition parties who have no legal right at all in being able to perform the tasks excluded by Article 28 patent rights. An exceptions clause permitting them to take account of such third party legal interests would be permitting them to take account of nothing. And third, reading the third condition as further protection of legal rights would render it essentially redundant in light of the very similar protection of legal rights in the first condition of Article 30 ("limited exception").

248. The panel went on to conclude that:<sup>102</sup>

To make sense of the term legitimate interests in this context, the term must be defined in the way that is often used in legal discourse – 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.

249. The "legitimate interests of third parties" include the commercial interest of other parties that produce or sell goods originating in a certain area to which a given reputation or characteristic is associated in using the term which designates that area in order to describe their products. As explained in the US Restatement of Unfair Competition<sup>103</sup>

That a watch is Swiss, that a wine is from California, that maple syrup is from Vermont, or that a dress has been designed in New York or Paris, are facts in which consumers are interested and which sellers therefore wish to disclose in a prominent manner.

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<sup>100</sup> Panel Report, *United States – Section 110(5)*, para. 6.227.

<sup>101</sup> Panel Report, *Canada – Pharmaceutical Products*, para. 7.68.

<sup>102</sup> Panel Report, *Canada – Pharmaceutical Products*, para. 7.69.

<sup>103</sup> *Restatement (Third) of Unfair Competition*, para. 14 cmt. D (1995). Cited in *In Sociedad Anónima Viña Santa Rita v. U.S. Dept. of the Treasury*, 193 F. Supp. 2d 6 (D.D.C 2001) (Exhibit EC-48).

250. The "legitimate interests of third parties" include also the interest of consumers in being informed about the geographical origin and the product characteristics associated to that origin. As noted by WIPO,<sup>104</sup>

The legal recognition and protection of indications of source and appellations of origin are in the general interest. They convey very important information to consumers on the geographical origin of goods and services and, indirectly, on their inherent quality and characteristics. Therefore, if properly used, geographical indications can help the public in its purchasing decisions and frequently exercise a strong influence thereon.

251. The fact that the use of a geographical indication may give rise to some degree of *likelihood* of confusion does not necessarily mean that it is incapable of performing this important informative function. In particular, where the finding of likelihood of confusion is based on the presumption provided in Article 16.1, or where the geographical indication enjoys more recognition than the trademark.

*How can legitimate interests be taken into account under Article 17 where they conflict with other relevant interests?*

252. Article 17 calls for a balancing of the different interests in conflict. Members enjoy a wide margin of discretion in making such a balancing. Indeed, all that is required by Article 17 is that Members "take account of" the different interests at issue. Furthermore, Article 17 puts on an equal level all the interests involved. In contrast, Articles 26.2 and 30 distinguish between the interests of the right holder, which must not be "unreasonably prejudiced", and the interests of third parties, which must simply be "taken into account".

253. In balancing the interests of the trademark owners and other parties in the case at hand, the following considerations are relevant and have been taken into account by the EC:

- trademarks are much easier to create than geographical indications. Trademarks can be acquired almost instantaneously, simply by an "intent to use" or by the mere lodging of an application with a registration system. In contrast, the creation of a geographical indication requires to establish first a "link" between the name and certain product characteristics, which may require years. Indeed, as is often the case in the EC, such link is the result of centuries of tradition. For this reason, the strict application of the first-in-time rule would privilege trademark owners and be inequitable to the holders of a geographical indication;
- trademarks are arbitrary, with the consequence that there is a virtually unlimited choice of trademarks. By choosing deliberately a geographical name as a trademark, an undertaking accepts the risk that the same sign may be used concurrently as a geographical indication. In contrast, geographical indications are "necessary" in the sense that the range of names used to designate a certain geographical is limited *a priori* by well established usage. Right holders of geographical indications may not easily change the name given by the public to the geographical area where they are located. For that reason, it is much more difficult to find an alternative geographical indication than it is to find an alternative trademark;

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<sup>104</sup> WIPO (Ed.) *Introduction to Intellectual Property, Theory and Practice*, Geneva 1997, para. 1.55. (Exhibit EC-109).

- geographical indications are collective rights, the use of which is available to any person who produces or sells goods which have the origin designated by the geographical indication and meet the relevant specifications. It would be inequitable to deprive that collectivity from the right to use a geographical indication for the exclusive benefit of an individual trademark owner, who may or may not have contributed to the development of the geographical indication, simply because he happened to register that name first as a trademark;
- geographical indications serve to inform consumers that the product originates in a certain area and has certain characteristics linked to that origin. In contrast, trademarks only guarantee the identity of the undertaking that markets the product. Thus, in addition to having a commercial function, geographical indications serve a public interest, which deserves additional protection.

254. Having regard to the above considerations, EC law allows in principle the use of a geographical indication in co-existence with earlier trademarks. Nevertheless, in order to take account of the legitimate interests of the trademark owners, such use is subject to the following restrictions:

- first, even on the complainants' interpretation of Article 14(3) of Regulation 2081/92, that provision would prevent the registration of geographical indications in those circumstances where the trademark owner would suffer a more significant economic prejudice, because of the reputation acquired by the trademark. As mentioned, a trademark which has not been used, or which is hardly known, has little intrinsic value and could be easily replaced with a more distinctive sign. In those circumstances, co-existence does not cause an unreasonable prejudice to the trademark owner;
- second, again, even if the complainants' reading of Article 14(3) were correct and that provision did not prevent the registration of all geographical indications that give rise to a likelihood of confusion with an earlier trademark, it would remain that Article 14(3) would prevent the registration in those cases where the likelihood of confusion would be greater, because of the recognition enjoyed by the trademark;
- third, as explained above, the Directives on labelling and misleading advertising and the laws on unfair competition ensure that geographical indications are used in a fair and honest manner, thereby reducing the likelihood of confusion and the ensuing prejudice to the interests of the trademark owner.

### Question 156

*Why do the requirements in Article 17 differ from those in Articles 13, 26.2 and 30 of the TRIPS Agreement? How should their interpretation reflect those differences?*

255. The differences between the conditions of Article 17 and those of the other provisions cited in the question reflect, among other things, the different function of each type of intellectual property right, the nature and the extent of the obligations imposed by the TRIPS Agreement with respect to each of them, and the previous practice of Members in granting exceptions.

256. More specifically, and without purporting to be exhaustive, the EC would point to the following differences:

- unlike patents, copyrights or the rights over industrial designs, trademark rights do not reward an invention or a creative effort. Rather, they are an instrument of fair competition;<sup>105</sup>
- unlike inventions, artistic works or industrial designs, trademarks do not have to be novel or original, but merely distinctive. Trademarks are relatively easy to conceive and to register. For the same reason, trademarks have little intrinsic value. Whatever value they may have is a function of their recognition by the public and is acquired through use;
- unlike patents, copyrights or industrial designs, which all have a limited duration, trademarks may have an indefinite validity, or at least may be renewed without any limitation. This makes it more necessary to allow for exceptions, so as to avoid permanent monopolies;
- the WIPO conventions do not guarantee the exclusivity of trademarks. The TRIPS Agreement is the first multilateral agreement to recognize such right. It is only natural that the participants wished to reserve for themselves a wider discretion in granting exceptions with respect to trademarks than with respect to other intellectual property rights where international harmonization was more advanced;
- prior to the TRIPS Agreement, the trademark laws of most Members provided relatively broad exceptions, including in particular with respect to the use of descriptive terms.<sup>106</sup> The wording used in other exceptions clauses would not have accommodated many of the existing "descriptive terms" exceptions.

257. Irrespective of the reasons, it is beyond dispute that the requirements of Article 17 are substantially less stringent than those of the other provisions cited in the question. Alone among all the exceptions clauses, Article 17 does not require that the exceptions "do not prejudice unreasonably" the legitimate interests of the right holder, but merely that those interests be taken into account. Likewise, alone among all the exceptions provisions, Article 17 does not require that the exceptions "do not unreasonably conflict with a normal exploitation of the patent".<sup>107</sup> These differences must be given meaning. It would be contrary to the drafters' intention and to basic rules of treaty interpretation if these differences were ignored and Article 17 were interpreted as imposing, in practice, the same requirements as the other exceptions clauses.

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<sup>105</sup> WIPO has noted that, in the case of trademarks,

... the aspect of intellectual creations –although existent- is less prominent, but what counts here is that the object of industrial property typically consists of signs transmitting information to consumers, in particular as regards products and services offered on the market, and that protection is directed against unauthorized use of such signs which is likely to mislead consumers, and misleading practices in general.

WIPO (Ed.) *Introduction to Intellectual Property, Theory and Practice*, Geneva 1997, para. 1.9. (Exhibit EC-110).

<sup>106</sup> See the examples cited above in the response to Question No. 155.

<sup>107</sup> At the second meeting with the Panel, Australia seemed to argue that trademarks are not "exploited" but "used". Even so, this would not explain why Article 17 does not prescribe that the exceptions shall not "unreasonably conflict with the normal use of the trademark".

### Question 159

*May protection for designations of origin and geographical indications now be afforded in the EC only within the framework laid down by Regulation (EC) No. 2081/92?*

258. No. Regulation 2081/92 and the other measures mentioned by the EC in its first submission apply cumulatively. The other measures afford protection to any indication of source, including those that qualify as designations of origin or geographical indications under Regulation 2081/92.

*To what extent does the EC implement its obligations under Article 22.2 of the TRIPS Agreement through Regulation (EC) No. 2081/92 and to what extent through other measures (see EC first written submission, paras. 433 and 434)?*

259. As explained, Regulation 2081/92 and the other measures apply cumulatively. The other measures afford protection to all indications of source, including all geographical indications as defined in Article 22.1 of the TRIPS Agreement. Regulation 2081/92 provides additional protection to those geographical indications that qualify as designations of origin or geographical indications within the meaning of that Regulation.

*Are the other measures cited by the EC alone sufficient to fulfil its obligations under Article 22.2?*

260. Yes. The EC refers to the responses provided by the EC and its Member States, as part of the review under Article 24.2 of the TRIPS Agreement, which have been submitted by the EC as Exhibit EC-29.

261. The EC understands that the complainants do not contest that the other measures cited by the EC are sufficient to fulfill the EC's obligations under Article 22.2. Indeed, they could hardly do so since the complainants purport to implement their obligations under Article 22.2 through the application of similar measures.

262. Instead, the United States appears to argue, mistakenly, that Regulation 2081/92 excludes the application of the other measures to designations of origin and geographical indications as defined in that Regulation.<sup>108</sup>

263. In turn, as far as the EC understands, Australia's claim under Article 22.2 is that the additional protection afforded to the registered geographical indications under Article 13(1) of Regulation 2081/92 (or the subsequent use thereof made by the holders of a geographical indication) could be an "act of unfair competition" within the meaning of Article 22.2, against which EC law provides no remedy, and not that the other measures cited by the EC are not sufficient to protect geographical indications that have not been registered under Regulation 2081/92.

### Question 160

*To what extent does the EC implement its obligations under Article 22.2 of the TRIPS Agreement through Regulation (EC) No. 2081/92 and to what extent through other measures?*

264. See above the response to Question 159.

*Does the EC believe that the complainants should prove a negative, i.e. that no legal means required under Article 22.2 are available? Can a respondent simply argue that other measures, outside the*

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<sup>108</sup> See EC SOS, para. 236.

*Panel's terms of reference, fulfil an obligation, without proof of how those other measures fulfil that obligation?*

265. The complainants were well aware of the existence of the other measures cited by the EC in its first submission. Indeed, those measures had been identified in the response of the EC and its Member States in the review under Article 24.2 TRIPS among the means provided by them to comply with Article 22.2 TRIPS. Had the complainants been of the view that those measures are not sufficient to comply with Article 22.2, they could and should have mentioned them in their panel requests. A complaining party should not be allowed to shift the burden of proof to the respondent simply by asserting that the respondent provides no means to comply with Article 22.2, or by deliberately omitting to mention some of the means which the respondent has previously identified under the relevant WTO procedures among those implementing its obligations under Article 22.2.

266. In any event, assuming that the other measures in question were within the Panel's terms of reference, and assuming further that the complainants' mere assertion that the EC does not provide the necessary means to comply with Article 22.2 were sufficient to establish a *prima facie* case, the EC submits that the explanations provided by the EC in its previous submissions to the Panel, as well as in the responses of the EC and its Member States to the review under Article 24.2, which are part of the EC's submissions, would be sufficient to rebut that *prima facie* case.

267. It would then be for the complainants to make specific claims (or arguments) in order to show why the other measures identified by the EC are not consistent with Article 22.2, despite the explanations provided by the EC. The complainants, however, have not made any such claim or argument. The EC cannot be reasonably expected to identify and formulate each and every conceivable claim and arguments to the effect that its own measures fail to comply with Article 22.2 and then rebut them.

### **Question 163**

*The Panel takes note of Australia's and the EC's respective views on the applicability of Article 70.1 of the TRIPS Agreement to individual GI registrations (Australia's response to Panel question No. 90; EC rebuttal, para. 202). On 31 December 1995, at what stage of the procedure under the former Article 15 were the GIs later registered under Article 17? Did any individual GIs registered under Article 6 have an objection period that expired prior to 1 January 1996?*

268. The draft regulation to register a first list of names under the simplified procedure under Article 17 was distributed to the Member States in the 7<sup>th</sup> meeting of the regulatory committee on 22 September 1995 and was discussed at every meeting until the end of 1995, the last of which was the 11<sup>th</sup> meeting ( 22 November 1995). The vote took place on 19 January 1996 and the matter was transferred to the Council later on.

269. Logically, if an objection procedure is provided for, then the decision-making process regarding the registration, including the consultation of the regulatory committee, cannot take place before the period for objections has expired. This is also the case under the normal procedure provided for in Article 6 and 7 of Regulation 2081/92. Accordingly, by the time the file was referred to the regulatory committee, the time at which an objection procedure should have been foreseen, had it indeed been necessary, had passed.

270. The EC notes that in its second oral statement, Australia continues to insist that the relevant point in time is the registration of the geographical indications under the simplified procedure.<sup>109</sup> However, Australia forgets that it has brought a claim under the national treatment provisions of the

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<sup>109</sup> Australia's SOS, para. 78.

TRIPS Agreement. In Australia's submission, the EC has violated its national treatment obligations by not providing for a possibility for objections. Accordingly, the alleged violation stems not from the act of registering the indications in question, but from the omission to provide a right of objection. However, this omission clearly occurred before 1 January 1996, i.e. the date of application of the TRIPS Agreement to the EC.

271. Moreover, the EC would like to recall that as a matter of fact, no objection procedure applied under the simplified procedure regardless of whether EC residents or foreign residents were involved.<sup>110</sup> There was therefore no violation of national treatment. Accordingly, the question "at which time" the national treatment violation may have occurred has a rather speculative character.

272. No application under Article 6 of Regulation 2081/92 had a period of objections which expired prior to 1 January 1996.

#### **Question 164**

*In what way are the objectives and principles set out in Articles 7 and 8 of the TRIPS Agreement, and the considerations recited in the first paragraph of its preamble, relevant to the interpretation of the provisions of that agreement at issue in this dispute?*

273. Regulation 2081/92 protects products which have a special quality, reputation, or other characteristics attributable to their geographical origin. As can be seen from Article 2 of the Regulation 2081/92, these characteristics must be due to a particular geographical environment with its inherent natural and human facts, which also may include traditional knowledge, processes, and working methods. Whereas Regulation 2081/92 does not primarily focus on technological innovation as referred to in Article 7 of the TRIPS Agreement, the human factor may include some such elements. Overall, however, Article 7 seems to be of limited relevance for the present case.

274. As stated in the Preamble to Regulation 2081/92, the production of agricultural products and foodstuffs has a vital role for the Community economy. The protection of geographical indications in Regulation 2081/92 is important for the development of this sector by encouraging diversification into high-value production. Accordingly, Regulation 2081/92 is a measure which promotes the public interest in a sector of vital importance to the EC's socio-economic and technological development as referred to in Article 8.1 TRIPS Agreement, and which is consistent with the provisions of the Agreement.

275. The considerations recited in the first paragraph of the Preamble to the TRIPS Agreement are relevant for interpreting the provisions of the TRIPS Agreement in accordance with the customary rules of interpretation of international law.<sup>111</sup>

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<sup>110</sup> EC FWS, para. 91 et seq.

<sup>111</sup> Cf. also above, Response to Panel's Question No. 103, para. 31.

## ANNEX B-8

**REPLIES BY THE EUROPEAN COMMUNITIES TO QUESTIONS  
POSED BY AUSTRALIA FOLLOWING THE SECOND SUBSTANTIVE MEETING**

**Question 1**

*Can the EC provide any official statement predating its first written submission that expressly states that names of geographical areas located in WTO Members could be registered under regulation 2081/92 without satisfying its equivalence and reciprocity conditions?*

1. The EC refers Australia to the EC's responses to the Panel's questions Nos. 16 and 95.

**Question 2**

*The decision of the Court of First Instance in the "Canard" judgement held that Regulation 2081/92 "does not establish specific procedural safeguards for individuals", and for that reason a person who has made an objection against a proposed regulation "is not individually concerned by the contested [registration] within the meaning of the fourth paragraph of Article 230 of the EC Treaty.*

*In this light, can the EC say that a trademark holder will certainly be able to commence procedures under Article 230 of the EC Treaty to contest the registration of a GI under Regulation 2081/92.*

2. The fourth paragraph of Article 230 of the EC treaty provides that

Any natural or legal person may, under the same conditions, institute proceedings against a decision addressed to that person or against a decision which, although in the form of a regulation or a decision addressed to another person, is of direct and individual concern to the former

3. The decision to register a geographical indication under Regulation 2081/92 takes the form of a Council or Commission regulation. Accordingly, a trademark holder will be able to bring an action in annulment under Article 230 against the registration of a geographical indication if he can show that the registration, although in the form of a regulation, is of direct and individual concern to him.

4. According to well-established case law of the European Court of Justice<sup>1</sup>,

a provision which by virtue of its nature and scope is of legislative nature, may be of individual concern to natural or legal persons where it affects them by reason of certain attributes which are peculiar to them or by reason of circumstances in which they are differentiated from all other persons and by virtue of those factors distinguishes them individually just as in the case of the addressee of a decision ...

5. One of the situations in which regulations have been found to be of individual concern to an economic operator is where the regulation has been adopted pursuant to a procedure that affords certain procedural safeguards specifically to that operator.<sup>2</sup> For example, the ECJ held in the *Timex* case that regulations imposing anti-dumping measures may be challenged under Article 230 by the

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<sup>1</sup> See e.g. Case T-215/00, *SCEA La Conquete v. Commission*, [2001] ECR II-181, para. 34 (Exhibit COMP-12).

<sup>2</sup> This case law originated in Case 191/82 *EEC Seed Crushers' and Oil Processors' Federation (Fediol) v. Commission* [1983] ECR 2913, which concerned a complaint under the EC Basic Anti-subsidy Regulation.



person who filed the complaint.<sup>3</sup> Subsequently, the ECJ has recognised standing to the investigated producers or exporters<sup>4</sup> and to their related importers<sup>5</sup>, but not, in principle, to the independent importers.<sup>6</sup>

6. However, contrary to what appears to be Australia's understanding, the situation described in the above paragraph is not the only situation where an economic operator may be found to be individually concerned for the purposes of Article 230. In particular, the ECJ has held that a regulation may be of individual concern to an operator where it adversely affects that operator's *specific* rights. Thus, in the *Codorniu* case<sup>7</sup>, the ECJ held that the applicant had standing to challenge a regulation concerning the use of a designation for sparkling wine ("crémant"), because as a result it was prevented from using a graphic mark which it had registered and used for a long time before the adoption of the contested regulation, so that it was distinguished from all the other economic operators.

7. In the *La Conquête* case<sup>8</sup>, the applicant was a producer of *canard à foie gras* of the area designated by the geographical indication who had objected to the specifications approved by the Commission. The applicant argued that the application was admissible on two different grounds: first, referring to the *Codorniu* judgement, because the measures affected adversely his specific rights; and second, referring to the *Timex* case law, because Regulation 2081/92 afforded him certain procedural guarantees.

8. The Court of First Instance rejected both arguments and held the application inadmissible. First, the court distinguished, on the facts, the situation of the applicant from the situation in *Codorniu*.<sup>9</sup> Second, the court held that, unlike the EC Basic Anti-dumping Regulation, Regulation 2081/92 does not establish specific procedural safeguards, at Community level, for individuals.<sup>10</sup>

9. The court's finding that Regulation 2081/92 does not establish specific procedural safeguards, at Community level, for individuals would prevent a trademark holder from invoking the *Timex* case law in order to establish that it is individually concerned. However, this does not mean necessarily that a trademark holder will never be able to show that it is individually concerned. In particular, a trademark holder could seek to rely on the *Codorniu* case law. Whether or not a trademark holder will be able to show that the registration of a give geographical indication affects adversely its "specific" substantive trademark rights will depend upon the factual circumstances of each case.

### Question 3

*Will a trademark holder, even if he or she can not show direct and individual concern and/or even if he or she does not commence proceedings within 2 months of the decision being made, certainly be able to take advantage of the procedure for obtaining a preliminary opinion under Article 234 of the EC Treaty to have the ECJ review the validity of the registration of a GI under regulation 2081/92.*

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<sup>3</sup> Case 264/82, *Timex v. Council and Commission* [1985] ECR 849 (Exhibit EC-112).

<sup>4</sup> See e.g. Case C-156/87 *Gestetner Holdings plc v. Council and Commission* [1990] ECR I-781.

<sup>5</sup> See e.g. Case T-164/94 *Ferchimex SA v. Council* [1995] ECR II-2681.

<sup>6</sup> See e.g. Case 205/87 *Nuova Cream Srl v. Commission* [1987] ECR 4427.

<sup>7</sup> Case C-309/89, *Codorniu v. Council* [1994] ECR I-1853 (Exhibit EC-111).

<sup>8</sup> Case T-215/00, *SCEA La Conquête v. Commission*, [2001] ECR II-181 (Exhibit COMP-12).

<sup>9</sup> *Ibid.*, para. 28.

<sup>10</sup> *Ibid.*, para. 47. Australia's question misquotes the paragraph of the judgement which it cites by omitting the crucial words "at Community level".

10. The fact that an operator is not individually and directly concerned by a Community regulation is *never* an obstacle for raising the invalidity of that measure in accordance with the procedure provided in Article 234 of the EC Treaty.

11. Contrary to what has been said by the United States<sup>11</sup>, there is no general rule to the effect that if a person could have brought a direct action under Article 230, but fails to do so within the two month time limit, it is precluded from raising the invalidity of the measure under Article 234.

12. The case law cited by the United States<sup>12</sup> applies only in very specific situations where the applicant is "fully aware of [the measure] and of the fact that it could *without any doubt* have challenged it under Article [230]".<sup>13</sup>

13. So far, the ECJ has found that these conditions were present in a case involving the beneficiary of a state aid<sup>14</sup> and a in a case concerning a related importer in an anti-dumping investigation.<sup>15</sup> In both cases, there was well-established and clear case law recognising generally the standing of any individual in the same procedural position as the applicant to bring a direct action under Article 230.<sup>16</sup>

14. In contrast, as explained in the response to the previous question, whether or not a trademark holder will have standing to bring an action under Article 230 against a regulation registering a geographical indication will depend on the appreciation of the particular circumstances of each case by the court, something which cannot be predicted in advance "without any doubt" by the trademark holder.

15. Moreover, the concern expressed by the United States is that a registered geographical indication which is not confusing *per se* may be used in a confusing manner after the two month time limit.<sup>17</sup> However, since in that case the circumstances that could, arguably, justify a finding of individual concern for the purposes of Article 230 would not have been present during the two month

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<sup>11</sup> US SOS, para. 78.

<sup>12</sup> Ibid.

<sup>13</sup> Case C-188/92, *TWD Textielwerke Deggendorf v. Bundesrepublik Deutschland* [1994], ECR, I-833, point 24 [emphasis added] (Exhibit US-78).

<sup>14</sup> Case C-188/92, *TWD Textielwerke Deggendorf v. Bundesrepublik Deutschland* [1994], ECR, I-833 (Exhibit US-78).

The ECJ took pains to distinguish this case from a previous case (Case 216/82, *Universität Hamburg v. Hauptzollamt Hamburg-Kehrwieder*, [1983] ECR 2771). The ECJ noted that in that case the ECJ had declared the request for a preliminary ruling admissible on the grounds that (Id. at para. 23, emphasis added):

the rejection of the application by national authority was the only measure directly addressed to the person concerned of which it had been necessarily informed in good time and *which it could challenge in the courts without encountering any difficulty in demonstrating its interest in bringing proceedings.*

<sup>15</sup> Case C-239/99, *Nachi Europe GmbH v. Hauptzollamt Krefeld* [2001] ECR I-1197, para. 37 (Exhibit US-78).

The court emphasised that the applicant "could *undoubtedly* have sought its annulment under Article 230 of the EC Treaty" (Id., para. 370) [emphasis added].

<sup>16</sup> As regards the standing of a complainant in an anti-dumping proceeding, see above the Timex case. As regards the standing of the beneficiary of a state aid, see Case C-730/79 *Philip Morris v. Commission* [1980] ECR 2671.

<sup>17</sup> US SOS, para. 78.

period, the applicant could not have been "fully aware" during that period that it could "without any doubt" bring a direct action.

16. As a final remark, it should be noted that the Court of Justice has stressed repeatedly the principle that all Community legal acts must be subject to effective judicial review:<sup>18</sup>

29. ... individuals are entitled to effective judicial protection of the rights they derive from the Community legal order, and the right to such protection is one of the general principles of law stemming from the constitutional traditions of the member States. That right has also been enshrined in Articles 6 and 13 of the [European Convention on Human Rights] ...

30. By Articles 230 EC and 241 EC, on the one hand, and by Articles 234, on the other, the Treaty has established a complete system of legal remedies and procedures designed to ensure review of the legality of acts of the institutions and has entrusted such review to the Community Courts. Under that system, where natural or legal persons cannot, by reason of the conditions for admissibility laid down in the fourth paragraph of Article 230 EC, directly challenge Community measures of general application, they are able, depending on the case, either indirectly to plead the invalidity of such acts before the Community Courts under Article 241 EC or to do so before the national courts and ask them, since they have no jurisdiction themselves to declare those measures invalid, to make a reference to the Court of Justice for a preliminary ruling on validity....

31. Thus it is for the Member States to establish a system of legal remedies and procedures which ensure respect for the right to effective judicial protection ....

32. In that context, in accordance with the principle of sincere cooperation laid down in Article 10 EC, national courts are required, so far as possible, to interpret and apply national procedural rules governing the exercise of rights of action in a way that enables natural and legal persons to challenge before the courts the legality of any decision or other national measure relative to the application to them of a Community act of general application, by pleading the invalidity of such an act.

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<sup>18</sup> Judgement of the European Court of Justice of 1 April 2004, Case C-263/02, *Commission v. Jégo-Quéré & Cie. SA* [not published yet in the ECR] (Exhibit EC-113).

**ANNEX B-9**

**COMMENTS OF THE EUROPEAN COMMUNITIES TO AUSTRALIA'S  
AND THE UNITED STATES' REPLIES TO QUESTIONS POSED BY THE PANEL  
FOLLOWING THE SECOND SUBSTANTIVE MEETING**

(2 September 2004)

1. In its present submission, the EC provides its comments on the responses of the complainants to the Questions of the Panel after the second substantive meeting. Given the advanced stage of the proceedings, the EC will, in the present submission, focus on arguments which are made for the first time in the responses of the complainants. The fact that the EC does not comment on a particular response does not imply that the EC agrees with the response. To the extent that the complainants reiterate arguments to which the EC has already responded in earlier submissions, the EC refers to its earlier submissions.

**Question 101**

2. As the EC has already stated in its response to Question 101, the EC considers that the quadrant provided in the third party submission of Chinese Taipei is not pertinent, since Regulation 2081/92 does not involve any discrimination on the basis of nationality.

3. In their responses, the complainants are relying on this quadrant to demonstrate that the EC measure involves discrimination between nationals. However, the arguments of the complainants have no basis in the text of Regulation 2081/92, and in addition are logically inconsistent. For ease of reference, the table in question is reproduced below:

GI: EC National: EC 1	GI: Non-EC National: EC 3
2 GI: EC National: Non-EC	4 GI: Non-EC National: Non-EC

4. An examination of whether the EC measure violates the national treatment obligation of Article 3.1 TRIPS would require a comparison of the treatment it accords to domestic nationals and to foreign nationals. Logically, the comparison of treatment should therefore take place between quadrants 1 and 2, and between quadrants 3 and 4. In the case of Regulation 2081/92, this examination would confirm that there is no difference in treatment on the grounds of nationality. This is why the EC has submitted that the only relevant comparison is between the treatment accorded to domestic geographical indications, and to foreign geographical indications.<sup>1</sup>

5. Interestingly, in their responses, the complainants do not allege any difference in treatment between quadrants 1 and 2, or between quadrants 3 and 4. The complainants do not attempt to show, either, that there is any difference between quadrants 1 and 3, or between quadrants 2 and 4. Rather,

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<sup>1</sup> EC Response to Panel's Question No. 101, para. 23.

they argue that the comparison should take place between quadrants 1 and 4.<sup>2</sup> In support of this view, the United States claims that quadrant 1 is the sole "benchmark", against which both quadrants 2 and 4 should be measured. As for quadrant 3, the US argues that "it does not matter whether some EC nationals (...) are also treated less favourably than the EC nationals in quadrant 1".<sup>3</sup>

6. In the view of the EC, these arguments simply disregard the content of Regulation 2081/92. The EC has pointed out repeatedly that Regulation 2081/92 treats EC and foreign nationals exactly alike as regards the protection of geographical indications relating to areas in the EC. Similarly, the EC has pointed out that Regulation 2081/92 treats EC and foreign nationals exactly alike as regards the registration of geographical indications relating to areas outside the EC. The complainants cannot respond to this by arguing that the treatment accorded by Regulation 2081/92 in quadrants 2 and 3 should simply be ignored. Such an approach to the interpretation of Regulation 2081/92 would clearly be incompatible with Article 11 of the DSU, which requires an objective assessment of the facts.

7. The EC also finds the complainants' arguments logically inconsistent. If the complainants accept that the quadrant prepared by Chinese Taipei constitutes a correct description of the possible constellations for comparison of favourable treatment of nationals and goods in respect of geographical indications, then the complainants must accept this analytical tool in its entirety. They cannot simply ignore half of the possible constellations and base their argument purely on a comparison of those constellations which suit them. Such a selective reasoning does not do justice to the national treatment obligations of the TRIPS Agreement.

### Question 102

8. In its response to Question No. 102, the United States argues that "it is not critical for the Panel to make a factual assumption that all persons producing GI products in a country are nationals of that country". The United States goes on to argue that "[i]ndeed, it is undisputed that the EC GI Regulation on its face provides for different treatment of persons depending on which quadrant set out in response to question 101 they fall in".<sup>4</sup>

9. Already these premises are false. The EC does not see how the US can submit that the Panel should make a finding that Regulation 2081/92 involves discrimination between nationals and at the same time claim that the Panel need not come to any conclusion on whether in fact there is any link between nationality and the protection of geographical indications under Regulation 2081/92.

10. The EC is also astonished that the US would claim that "it is undisputed" that Regulation 2081/92 provides for different treatment of persons "depending on which quadrant set out in response to question 101 they fall in". As the EC has repeatedly confirmed, Regulation 2081/92 treats EC and foreign nationals exactly alike as regards the protection of geographical indications relating to areas in the EC. Similarly, the EC has pointed out that Regulation 2081/92 treats EC and foreign nationals exactly alike as regards the registration of geographical indications relating to areas outside the EC. Accordingly, the treatment accorded by quadrant 1 is the same as that accorded by quadrant 2, and the treatment accorded by quadrant 3 is the same as that accorded by quadrant 4.

11. In its further attempts to show that there is discrimination on the basis of nationality, the United States argues that "in order to produce agricultural foodstuffs in accordance with the product specifications for a protected name, persons "will be established in that area" and "will have to set up

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<sup>2</sup> US Response to Panel's Question No. 101, para. 2; Australia's Response to Panel's Question No. 101, para. 2.

<sup>3</sup> US Response to Panel's Question No. 101, para. 4.

<sup>4</sup> US Response to Panel's Question No. 102, para. 9.

a legal person under the laws of the country in which they are established".<sup>5</sup> The US goes on to argue that "it will generally follow that those established [...] are nationals of that Member" and that this "also generally follows as a practical matter".<sup>6</sup>

12. In the view of the EC, these US arguments are mere speculation without any supporting proof. Regulation 2081/92 does not require any form of establishment, nor does it require the setting up of legal persons. Similarly, even where a natural or legal person is resident or established in a particular country, this does not mean it becomes a national of that country.

13. The EC notes also that the United States has not provided the Panel with any information as to what legal persons it considers to be its nationals. In this context, the EC would refer to the definition of "enterprises of a Party" in the North American Free Trade Agreement (NAFTA), which reads as follows: "enterprise of a Party means an enterprise constituted or organized under the law of a Party".<sup>7</sup> It is interesting to note that NAFTA, to which the US is a party, does not in fact define the nationality of enterprises on the basis of establishment.<sup>8</sup>

14. It seems to the EC that the complainants are attempting to impose a definition of nationality on the EC which has no basis in the EC measure in question, does not reflect the national treatment provisions of the TRIPS Agreement, and runs counter to international practice.

15. The EC notes that the United States also points out that "US agricultural land is held almost exclusively by US nationals".<sup>9</sup> The EC does not consider this statement relevant for the present case, nor does it wish to speculate on why the percentage of foreign ownership in the US might be so low. The EC notes also that the United States has not shown that the same is also true for EC agricultural land. Finally, the United States has not shown that there is no foreign ownership in the food-producing sector, which is equally concerned by Regulation 2081/92.

### Question 103

16. In its response to the Panel's questions, the EC has emphasized that Article 3.1 TRIPS requires that the conditions for the acquisition of intellectual property rights are modified to the detriment of foreign nationals.<sup>10</sup> The EC has also shown that the interpretation of TRIPS national treatment is a complex question, which cannot simply be resolved by transposing the jurisprudence under Article III:4 GATT to the TRIPS Agreement.<sup>11</sup>

17. In their response, the complainants make very little effort to interpret the specific terms of Article 3.1 TRIPS Agreement. Rather, the United States repeats its argument according to which "there is a close connection between geographical indications, geographic regions, and the persons established in those regions".<sup>12</sup> The EC is unsure what exactly the United States means by "close connection", and what is the relevance of this "close connection" for the purposes of TRIPS national treatment.

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<sup>5</sup> US Response to Panel's Question No. 102, para. 10.

<sup>6</sup> US Response to Panel's Question No. 102, para. 12.

<sup>7</sup> NAFTA Article 201.1 (Exhibit EC-111).

<sup>8</sup> Another relevant example would be Article XXVIII (m) (i) of the GATT, which defines a "juridical person of another Member" as a juridical person which is "constituted or otherwise organized under the law of that other Member, and is engaged in substantive business operations in the territory of that Member or any other Member".

<sup>9</sup> US Response to Panel's Question No. 102, para. 12.

<sup>10</sup> EC Response to Panel's Question No. 113, para. 63.

<sup>11</sup> EC Response to Panel's Question No. 103, para. 27.

<sup>12</sup> US Response to Panel's Question No. 103, para. 16 (3).

18. Whatever the precise meaning the US attaches to these terms, it seems to the EC that with the same justification it could be argued that there is a "close connection" between the place where any product is produced and the persons who produce it. However, the EC does not think that this can mean that any person producing a product must therefore necessarily have the nationality of the place where the product is produced. Otherwise, any discrimination on the basis of the origin of a product would also be discrimination on the basis of nationality.

19. In its response, the United States has attempted to dismiss the examples of foreign involvement by characterizing them as examples of "EC nationals with some non-EC connections". This response misses the point of the EC's examples. First, the EC's examples show clearly that Regulation 2081/92 contains no legal obstacle to foreign nationals taking advantage of EC geographical indications. Second, that they may do so, "as a practical matter" and for reasons unrelated to Regulation 2081/92, by setting up a legal entity under EC law or by acquiring such an entity, does not show that Regulation 2081/92 involves discrimination on the basis of nationality. Finally, the EC finds it misleading to characterize cases where a US multinational acquires 100% of an EC producer of protected products as a case of an EC national with "some non-EC connections".

20. As regards the relevance of Article XX GATT, the complainants argue that this provision is not applicable in the context of the TRIPS Agreement, and that the non-inclusion of a similar provision in the TRIPS Agreement is deliberate.<sup>13</sup> However, the complainants fail to acknowledge that the limitation of TRIPS national treatment to nationals is equally deliberate. Moreover, the fact that the TRIPS Agreement contains not provision corresponding to Article XX GATT must be seen before the background that the TRIPS Agreement, and TRIPS national treatment in particular, is concerned primarily with nationals, not with the treatment of goods. The complainant's expansive interpretation of TRIPS national treatment has the effect of rendering ineffective defenses which would otherwise be available under Article XX GATT. The EC considers such an interpretation incompatible with the principles of a harmonious interpretation of the WTO Agreements.

#### **Question 104**

21. In its response to Question No 104, the United States persists in arguing that the EC is a "separate customs territory" within the meaning of footnote 1 to Article 1.3 of the TRIPS Agreement.

22. In support of its argument, the US is referring to Article XII:1 of the WTO Agreement, according to which "any State or separate customs territory possessing full autonomy in the conduct of its external commercial relations" may accede to this Agreement. In the submission of the United States, this provision proves that there are two categories of WTO Members, namely States and separate customs territories; therefore, in the view of the United States, since the EC is not a State, it must be a separate customs territory.<sup>14</sup>

23. This view is incorrect. Article XII:1 WTO Agreement does not apply to the EC. Rather, as the United States notes itself, the EC became an Original Member of the WTO under Article XI:1 WTO Agreement, which provides for the Membership of the "contracting parties to the GATT 1947 [...] and the European Communities".<sup>15</sup> In other words, the WTO Agreement refers to the EC neither as a state nor as a separate customs territory, but instead refers to it individually as a specific case.

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<sup>13</sup> US Response to Panel's Question No. 103, para. 18; Australia's Response to Panel's Question No. 103, paras. 13-14.

<sup>14</sup> US Response to Panels' Question No. 104, paras. 24-27.

<sup>15</sup> US Response to Panel's Question No. 104, para. 28.

24. The US has attempted to explain this drafting by arguing that "the EC could be identified by name as the sole original WTO Member that was not a GATT contracting party".<sup>16</sup> However, the US fails to explain why such a specific reference to the EC was then not made in footnote 1 to Article 1.3 of the TRIPS Agreement, if indeed the intention had been that this footnote should apply to the EC.

25. In fact, it is noted that there are also other provisions which refer specifically to the EC. For instance, Article IX:1 WTO Agreement defines the voting rights of the European Communities. This shows that where a specific provision was necessary to take account of the specific nature of the EC, a specific provision was included. The fact that no such provision concerning the EC was included in the TRIPS Agreement means that the general provisions applicable to all Members should apply to the EC.

26. It should also be noted that the US interpretation would deprive the word "separate" in the expression "separate customs territory" of its useful purpose. As the US has acknowledged, "separateness" is an intrinsic feature of a "customs territory".<sup>17</sup> However, by arguing that the EC is a "separate customs territory Member of the WTO", the US is effectively removing the word "separate" from the definition in footnote 1. In fact, if the US interpretation were correct, the United States, Australia, or in fact all other WTO would also have to be considered a "separate customs territory Member of the WTO".

27. The US has also argued that footnote 1 should apply to the EC because the EC "has no nationals".<sup>18</sup> As the EC has already explained in response to Panel's Question No. 105, this is patently wrong. Moreover, as the EC has also explained, the fact that the definition of nationality for legal persons is a complex question does not mean that the EC "has no nationals". In this context, it is also useful to refer to Brownlie's International Law, which fully confirms the EC's view:<sup>19</sup>

The attribution of legal persons (personnes morales) to a particular state for the purpose of applying a rule of domestic or international law is commonly based upon the concept of nationality. The borrowing of a concept developed in relation to individuals as awkward in some respects but is now well established. A major point of distinction is the absence of legislative provisions in municipal law systems which create a national status for corporations: domestic nationality laws do not concern themselves with corporations. The consequences of this are twofold. First, the nationality must be derived either from the fact of incorporation, i.e. creation as a legal person, within the given system of domestic law, or from various links including the centre of administration (siège social) and the national basis of ownership and control. Secondly, the content of the nationality tends to depend on the context of the particular rule of law involved; nationality appears more as a functional attribution or tracing and less as a formal and general status of the kind relating to individuals.

28. The US has also referred to the drafting history of the TRIPS Agreement. In particular, the United States has noted that an earlier version of footnote one referred specifically to Hong Kong.<sup>20</sup> This footnote, which was contained in the Brussels draft of the TRIPS Agreement, read as follows:<sup>21</sup>

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<sup>16</sup> EC Response to Panel's Question No. 104, para. 28.

<sup>17</sup> US Response to Panel's Question No. 104, para. 23.

<sup>18</sup> US Response to Panel's Question No. 104, para. 33.

<sup>19</sup> Ian Brownlie, *Principles of Public International Law*, 5<sup>th</sup> edition (1998), p. 425-426 (Exhibit EC-112). Emphases added.

<sup>20</sup> US Response to Panel's Question No. 104, para 34.

<sup>21</sup> Cf. Daniel Gervais, *The TRIPS Agreement: Drafting History and Analysis*, 2<sup>nd</sup> edition (2003), para. 2.15.



When the term "national" is used in this Agreement, it shall be deemed, in the case of Hong Kong, to mean persons, natural or legal, who are domiciled or who have a real and effective industrial or commercial establishment in Hong Kong.

29. The only significant different between this version and the final version of footnote 1 is that the reference to "Hong Kong" has been replaced by a reference to a "separate customs territory Member of the WTO". In other words, the specific reference to Hong Kong was replaced by a generic reference to the category of Member to which Hong Kong belongs. The drafting history therefore confirms the EC's submission that footnote 1 was intended to cover cases of territories such as for instance Hong Kong or Macao, but not the EC.

30. In addition, the US also refers to an "Informal Note by the Secretariat" dated 7 December 1992. Unfortunately, the US does not provide a copy of this "Informal Note", which is not available to the EC, as an Exhibit. Accordingly, the EC cannot comment on the US arguments in this respect. The EC requests the United States to provide a copy of the informal note to the Panel and the other Parties. Moreover, the EC should be given an occasion to comment on the note once it has been provided by the United States. As long as the EC has not had an occasion to comment, the Panel should not take into account the arguments made by the US in respect of the informal note of 7 December 1992.

31. Australia, for its part, has referred to the fact that competence for the matters covered by the TRIPS Agreement is shared between the EC and its Member States, and has argued that for this reason, "there may be occasions in relation to matters covered by the TRIPS Agreement when the customs territories of its Member States may be distinct from the customs territory of the EC itself".<sup>22</sup> This is entirely wrong. The fact that competence for matters falling under the TRIPS Agreement is shared between the EC and its Member States is due to the fact that the TRIPS Agreement also concerns the harmonisation of intellectual property law.<sup>23</sup> The fact that certain areas of intellectual property law may not be harmonised within the EC has nothing to do with the customs territory of the EC. The EC has exclusive competence for trade in goods, and it has only one customs territory; this also applies for the purposes of the TRIPS Agreement.<sup>24</sup>

### Question 108

32. The EC fails to see the relevance of the discussion of the ECJ's case law concerning Article 13(1) of Regulation 2081/92 included in Australia's response to this question, given that Australia confirms that it is not making any claim under GATT Article III:4 to the effect that Article 13(1) provides less favourable treatment to imported products.<sup>25</sup>

33. In view of the above, the EC does not consider it necessary to address all the errors made in Australia's response. The EC would like, nevertheless, to correct Australia's mistaken reading of the findings of the ECJ in the Case C-66/00, *Dante Bigi*<sup>26</sup> (which Australia calls the "Parmesan judgement").

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<sup>22</sup> Australia's Response to Panel's Question No. 104, para. 16.

<sup>23</sup> See Opinion 1/94, *Accession to the WTO*, [1994] ECR I-5389, para. 58 (Exhibit Aus-13).

<sup>24</sup> This is confirmed in Opinion 1/94, *Accession to the WTO*, [1994] ECR I-5389, para. 55 (Exhibit Aus-13), where the Court of Justice confirmed that the provisions of the TRIPS Agreement on the enforcement of intellectual property rights at the border, which are carried out by the customs authorities, fall under exclusive Community competence for the commercial policy.

<sup>25</sup> Australia's Response to Panel's Question No. 18, para. 27.

<sup>26</sup> Exhibit AUS-16.

34. Australia says that the use of the word "parmesan" is banned in the EC "on the basis that the ECJ found 'it is far from clear that the designation 'Parmesan' has become generic'" in that case.<sup>27</sup> This is incorrect. The question whether the term "parmesan" is generic was not before the ECJ and was not decided in that case. The Italian court had raised a number of questions regarding the interpretation of Regulation 2081/92, but not the question whether "parmesan" was a generic term. The German Government, which intervened as a third party, raised the preliminary objection that the reference was not admissible because the questions put by the Italian court were not relevant, given that in any event "parmesan" was a generic term which could not be protected under Regulation 2081/92.

35. The ECJ first recalled that, in principle, it is for the national courts to decide whether the reference to the ECJ is necessary:<sup>28</sup>

It is settled case-law that, in the context of the cooperation between the Court of Justice and the national courts established by Article 234 EC, it is solely for the national court before which the dispute has been brought, and which must assume responsibility for the subsequent judicial decision, to determine in the light of the particular circumstances of the case both the need for a preliminary ruling in order to enable it to deliver judgment and the relevance of the questions which it submits to the Court. Consequently, where the questions submitted by the national court concern the interpretation of Community law, the Court of Justice is, in principle, bound to give a ruling (see, for example, Case C-415/93 Bosman [1995] ECR I-4921, paragraph 59).

36. The ECJ then went on to recall that, in exceptional cases, the ECJ may refuse to rule on a question referred by a national court where it is obvious that the question is unrelated to the dispute before that court:<sup>29</sup>

However, the Court has also stated that, in exceptional circumstances, it can examine the conditions in which the case was referred to it by the national court, in order to assess whether it has jurisdiction. The Court may refuse to rule on a question referred for a preliminary ruling by a national court only where it is quite obvious that the interpretation of Community law that is sought bears no relation to the actual facts of the main action or its purpose, where the problem is hypothetical, or where the Court does not have before it the factual or legal material necessary to give a useful answer to the questions submitted to it (see, for example, Case C-390/99 Canal Satélite Digital [2002] I-607, paragraph 19).

37. The German Government had argued that the questions raised by the Italian court were irrelevant because "parmesan" was in any event generic, with the consequence that Regulation 2081/92 was inapplicable. The ECJ, nevertheless, concluded that it was far from clear that "parmesan" was generic and, therefore, the questions raised by the Italian court were not so obviously irrelevant as to be inadmissible:<sup>30</sup>

However, in the present case it is far from clear that the designation parmesan has become generic. It is contended by all the governments which have submitted written observations in this case, apart from the German Government and, to a certain extent,

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<sup>27</sup> Australia's Response to Panel's Question No. 18, para. 26.

<sup>28</sup> Exhibit AUS-16, para. 18.

<sup>29</sup> Exhibit AUS-16, para. 19.

<sup>30</sup> Exhibit AUS-16, paras. 20-21.

the Austrian Government, and by the Commission that the French designation parmesan is the correct translation of the PDO Parmigiano Reggiano.

Against that background it cannot be argued that it is clear that the questions raised by the referring court are covered by one of the situations listed in the case-law cited at paragraph 19 of this judgment. It follows that the reference for a preliminary ruling is admissible.

38. In sum, in the *Dante Bigi* Case, the ECJ was not asked to rule, and did not rule, on the question whether the term "parmesan" is generic. The ECJ considered that question only in order to resolve a preliminary procedural objection to the effect that *other* questions raised by the Italian court were obviously irrelevant and inadmissible.

39. As noted by Australia<sup>31</sup>, the EC Commission is of the view that "parmesan" is not a generic term. Germany, however, takes a different view. For that reason, the EC Commission has brought infringement proceedings under Article 226 of the EC Treaty against Germany. It will be for the ECJ, in the context of those proceedings, to decide whether or not "parmesan" is a generic term. The EC fails to see what is so intrinsically objectionable about the fact that the application of Article 13(1) of Regulation 2081/92 to a particular set of facts may give rise to doubts and that different interested parties may take different views, with the consequence that it is necessary for the courts to resolve the disagreement. Or is it that in Australia the federal government and the states never disagree about the interpretation of federal law?

40. Contrary to what Australia says at paragraph 23, Article 13(1) of Regulation 2081/92 does not prejudge the question of whether "the owner of a registered trademark would be able to prevent confusingly similar or identical use of a sign for similar or identical goods". Australia confuses two different issues: the scope of the *negative* right of the holders of a registered geographical indication to prevent certain uses, which is defined in Article 13(1), and the scope of the *positive* right to use a registered geographical indication, which is circumscribed to the registered sign (see below the comments to Australia's response to Question 137).

41. Australia concludes this response by saying that:

the uncertainties created by the practical operation of Article 13.1 of Regulation No. 2081/92 and its application in situations involving generic terms partially inform Australia's claims concerning Articles 22.2 and Paris Articles 10*bis*(1) and 10*ter*(1) in respect of the registration of an EC-defined GI. Australia has not been able to identify any means within the EC's legal order why which a legitimately interested person – whether natural or legal, or a national of the EC or of another WTO Member – is assured of access to a court empowered to consider substantively an act of unfair competition contrary to honest practices in industrial or commercial matters, including in international trade, in respect of the registration of an EC-defined GI.

42. The EC would note, first of all, that the above passage appears to contradict Australia's response to Question No. 161, where Australia explains that the "EC measure" is inconsistent with Paris Article 10*bis*(1), because it "diminishes the legal protection of trademarks". The EC fails to see the connection between Australia's concerns about the use of generic terms and the protection of trademarks.

43. Second, the EC has provided a thorough rebuttal to Australia's suggestion to the effect that the registration of a name which is not generic in the EC but may be generic in "international trade" may

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<sup>31</sup> Australia's Response to Panel's Question No. 108, para. 21.

be an "act of unfair competition".<sup>32</sup> Australia has not responded to the EC's arguments. Instead, at the second meeting with the Panel, Australia denied that it was making such a claim.<sup>33</sup>

Australia has not said that registration of a term as an EC-defined GI in territory A could be deemed misleading simply because the term has become generic in territory B

44. Australia then reformulated its claim as follows:<sup>34</sup>

What is clear, however, is that the EC has an obligation to provide the legal means by which interested parties can seek to test such issues in relation to the registration of an EC-defined GI.

45. This amounts to saying that a Member may not adopt any legislation or regulations that specify which types of uses may or may not be deemed an "act of unfair competition", but instead must leave exclusively to the courts to define what constitutes an "act of unfair competition". The EC disagrees with that proposition, which is manifestly contrary to the fundamental principle enshrined in the last sentence of Article 1.1 TRIPS. Article 22.2 does not impose an obligation to provide means to "test" any conceivable allegations of "unfair competition", no matter how frivolous. Rather, Article 22.2 requires to provide the means to prevent uses that constitute genuine "acts of unfair competition". If a use is not an "act of unfair competition", there is no obligation to provide any means to prevent it. Accordingly, in order to establish a violation of Article 22.2, the plaintiff must establish, first, that a certain type of use would constitute an "act of unfair competition" within the meaning of Paris Article 10*bis*(1) and, second, that the respondent does not provide the necessary means to prevent that type of uses.

46. Finally, the EC has clarified repeatedly that, in any event, Regulation 2081/92 does not exclude the application of the Directives on labelling and misleading advertising and of the laws on unfair competition of the Member States with respect to the use of registered geographical indications. Australia seems to concede that those Directives and laws are sufficient to comply with TRIPS Article 22.2 and Paris Articles 10*bis*(1) and 10*ter*(1) with respect to the use of non-registered geographical indications. At the very least, Australia has submitted no argument or evidence to the effect that the provisions of those Directives and laws in question are not sufficient *per se* to comply with those provisions. Since, contrary to Australia's mistaken assumption, the same Directives and laws apply also with respect to the use of registered geographical indications, Australia's concerns are unfounded. Yet, apparently, Australia takes the view that, in respect of registered geographical indications, the EC should replace those Directives and laws by an EC Regulation. However, there is no obligation under the TRIPS Agreement to provide the required protection at any given territorial level. Australia's claims represent an unfounded and unacceptable attempt to interfere with the constitutional allocation of powers between the EC and its Member States.

## Question 112

47. The EC notes that in its response to the Panel's Question, the United States appears to argue that Article 12(3) contains a legal obligation towards the third country concerned.<sup>35</sup> As the EC has

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<sup>32</sup> EC SWS, paras. 381-393.

<sup>33</sup> Australia's SOS, para. 82.

<sup>34</sup> Australia's SOS, para. 85.

<sup>35</sup> US Response to Panel's Question No. 112, para. 45.

explained in its response, this is not the case.<sup>36</sup> The EC notes that its view is shared by Australia, which offers an interpretation contrary to that of the United States.<sup>37</sup>

### Question 120

48. In its response to the Panel's Question No. 120, the United States argues that the requirement to indicate the country of origin for homonymous geographical indications "is not simply a labelling cost issue", but that the labelling requirement "is in the nature of a qualifier that detracts from the value of the GI", implying that the foreign GI "is something other than a 'true' GI".<sup>38</sup>

49. At the outset, the EC notes that these arguments of the United States are contradictory with those of Australia, which has clearly stated that it does not allege that Article 12(2) of Regulation 2081/92 entails less favourable treatment other than with regard to labelling costs.<sup>39</sup>

50. In addition, the US response is without any basis in Regulation 2081/92. Article 12(2) of the Regulation requires simply that in the case of two homonymous names from the EC and from a third country, the country of origin be indicated for the name which is registered later. As the EC has already explained, the objective of this rule is to inform the consumer about the true origin of the product concerned.<sup>40</sup> In the case of two homonymous geographical indications, this is an entirely legitimate policy objective. The truthful indication of the country of origin does not in any way detract from the value of the geographical indication, nor is there any implication in the requirement of Article 12(2) that the geographical indication to which the requirement is applied is somehow "of a different stature" or "something other than a true GI".

51. Finally, the US is also incorrect to argue "the EC-based GI will be known purely by that GI, while the non-EC product's homonymous GI will be qualified by a country of origin".<sup>41</sup> As the EC has already explained repeatedly, the labelling requirement of Article 12(2) will apply to whichever of the names is registered later, regardless of whether this is the EC or the foreign name.<sup>42</sup>

### Question 123

52. In its response to Question No. 123, the United States persists in its argument that Article 12(2) of Regulation 2081/92 is "not a general country of origin marking requirement", but is "above and beyond any other general country of origin marking requirement that may apply to all agricultural products and foodstuffs".<sup>43</sup>

53. As the EC has already explained in its responses, there is simply no basis for arguing that Article IX GATT applies only to "general" origin marking requirements, but not to an origin marking requirement such as the one contained in Article 12(2).<sup>44</sup>

54. The full absurdity of the US argument becomes apparent when considering once again the United States' own practice as regards origin marking. Under US law, "every article of foreign origin [...] imported into the United States shall be marked in a conspicuous place as legibly, indelibly, and

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<sup>36</sup> EC Response to Panel's Question No. 112, para. 61.

<sup>37</sup> Australia's Response to Panel's Question No. 112, para. 33 – 34.

<sup>38</sup> US Response to Panel's Question No. 120, para. 47.

<sup>39</sup> Australia's Response to Panel's Question No. 52.

<sup>40</sup> See EC Response to Panel's Question No. 54, para. 126.

<sup>41</sup> US Response to Panel's Question No. 120, para. 47.

<sup>42</sup> See most recently EC SOS, para. 145.

<sup>43</sup> US Response to Panel's Question No. 123, para. 48.

<sup>44</sup> EC Response to Panel's Question No. 124, para. 98.

permanently as the nature of the article will permit in such manner as to indicated to an ultimate purchaser in the United States the English name of the country of origin of the article".<sup>45</sup>

55. It is fair to say that this origin marking requirement of the United States for imported products is, if anything, more restrictive and burdensome than the EC requirement contained in Article 12(2) of Regulation 2081/92. The fact that the United States, like Australia, applies this discriminatory country of origin marking to all products rather than just to some can hardly be a mitigating factor. It seems therefore that if the United States were right, and Article 12(2) constituted a violation of national treatment obligations, then the origin marking requirements of the United States and Australia are also in violation of national treatment obligations.

56. The United States has also claimed that the EC has not argued that "any existing origin marking requirements in the EC" would meet the requirement of Article 12(2) of Regulation 2081/92.<sup>46</sup> This argument is besides the point. Since the EC does not have country of origin marking requirements, requirements "in the EC" are obviously not relevant. However, as the EC has already said, it is very well possible that marks of origin affixed pursuant to the requirements of other countries, such as the United States, might fulfil the requirements of Article 12(2) of the Regulation.<sup>47</sup>

57. In any event, the main point of the EC is that the United States has for many years, presumably because it considered that national treatment obligations do not apply to country of origin marking requirements, applied discriminatory marking requirements. The US claim is therefore in stark contrast with the United States' own practice, and the Panel should not disregard this fact in evaluating the US claim.

58. In addition, the EC would also draw the attention of the Panel to the logical conclusion of the United States argument: if really Article IX:1 GATT covered only "general", but not product-specific marking requirements, the EC could easily remedy any eventual finding of a violation by introducing a general origin marking requirement similar to the one of the United States and Australia. In other words, Article IX:1 GATT would encourage the adoption of more rather than less restrictive requirements. This is hardly an interpretation in line with the objectives of the GATT.

#### **Question 124**

59. In its Response to Question No. 124, the United States argues that the US claim "does not present the systemic questions posed in the Panel's question". As the EC has just explained, this US view is based on a highly artificial and self-serving interpretation of Article IX:1 GATT. Accordingly, the United States' attempts to isolate its claim regarding Article 12(2) of Regulation 2081/92 from the general question of origin marking must fail.

60. In addition, the United States argues that the requirement of Article 12(2) to indicate the country of origin "is all the more confusing since geographical indications by their very nature concern indicating the particular geographical origin of products". The truthful indication of the country of origin gives the consumer more information, rather than less. The EC does therefore not see how the truthful indication of the country of origin, in which the geographical area is located, could be confusing for the consumer. Moreover, if the US arguments were correct, then the

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<sup>45</sup> 19 US 1304 (a) (Exhibit EC-113). Exhibit EC-66, which the EC provided earlier, contains only an indirect reference to this provision; for ease of reference of the Panel, the EC also provides the immediate source.

<sup>46</sup> US Response to Panel's Question No. 122, para. 47; US Response to Panel's Question No. 123, para. 48.

<sup>47</sup> EC Response to Panel's Question No. 120, para. 87.

application of the US country or origin marking requirements to EC products bearing a name protected under Regulation 2081/92 would equally have to be regarded as confusing for the consumer, and as detracting from the value of the geographical indication.

### Question 128

61. In their responses to the Panel's Question No. 128, both the United States and Australia fail to explain why they consider the requirement of government involvement in the approval of inspection structures problematic. Since they have no satisfactory answer to this question, they instead choose to mischaracterise the requirements of Regulation 2081/92 by arguing that the Regulation imposes "a requirement on sovereign WTO Members to put in place certain inspection structures dictated by the EC",<sup>48</sup> or involves the "imposition of EC-mandate inspection structures on other WTO Members".<sup>49</sup>

62. As the EC has already explained a number of times, the requirement of inspection structures is applied and evaluated purely with respect to the specific product for which protection is sought.<sup>50</sup> Accordingly, contrary to the arguments of the United States and Australia, it is not "equivalence by another name". Regulation 2081/92 does not concern the question of how the complainants protect geographical indications within their own territory, and in particular whether they require the existence of inspection structures for this purpose or not. The objective of the Regulation is purely to ensure that in order to be protected in the EC, geographical indications from third countries fulfil the same conditions as geographical indications from the EC.

63. As the EC has explained, since the inspection bodies will be located on the territory of the country of origin of the geographical indication, an involvement of the home country of the geographical indication is indispensable for the designation and continued monitoring of such inspection structures.<sup>51</sup> As the EC has also said, this possibility to have inspection bodies approved by their home country should in fact constitute an advantage rather than a disadvantage for applicants and producers from the US or Australia.<sup>52</sup>

64. In its response, the United States is contesting this argument by claiming that the EC "does not allow the United States to make its own determination as to the sufficiency of the inspection structures".<sup>53</sup> This is misleading. Article 12a (2) (b) of Regulation 2081/92 requires a declaration by the country of origin "that the structures provided for in Article 10 are established on its territory". Obviously, the Community institution responsible for deciding on an application for protection under Regulation 2081/92 must make sure that all the requirements of the Regulation are met. However, as the EC has already said, in doing so, the Community institutions will have to rely to a considerable extent on the information provided by the country of origin.<sup>54</sup> Contrary to the US' suggestion, the declaration of the country of origin is therefore of considerable importance, and will be given due weight by the Community institutions in the registration process.

### Question 130

65. The EC notes that in their responses, the US and Australia fail to identify any aspect of the requirement of inspection structures beyond the involvement of their governments that they consider

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<sup>48</sup> US Response to Panel's Question No. 128, para. 53.

<sup>49</sup> Australia's Response to Panel's Question No. 128, para. 51.

<sup>50</sup> EC SOS, para. 54 et seq.; EC SWS, para. 96 et seq.

<sup>51</sup> EC Response to Panel's Question No. 136, para. 146.

<sup>52</sup> EC Response to Panel's Question No. 131, para. 114.

<sup>53</sup> US Response to Panel's Question No. 128, para. 57.

<sup>54</sup> EC Response to Panel's Question No. 114, para. 69.

objectionable.<sup>55</sup> Accordingly, the EC understands that the claims of the United States and Australia are therefore now limited to the requirement of government involvement in the designation of inspection structures.

### Question 137

#### US Response

66. The United States complains that it "does not have access to the product specifications for any of the GIs cited by the Panel". This complaint is unwarranted.<sup>56</sup> The specifications of any registered geographical indication, including those mentioned in the question, can be obtained upon request from the EC Commission or from the competent authorities of the Member States.

67. With respect to the argument made at paragraph 67, the terms used by the EC are "not very qualified". The EC used those terms in order to make clear that whether a "used" sign is the same or different from the sign covered by the registration can only be decided on a case-by-case basis. The EC does not see how the complainants could disagree with this.

68. With respect to the issue of translations<sup>57</sup>, the EC has explained repeatedly that the registration confers a positive right to use the registered name, to the exclusion of any other sign. A "translation" is not necessarily a different sign, something which appears to be overlooked by the United States. For example, the translation of the name "Gorgonzola" into Spanish, English and French is in all cases "Gorgonzola". For that reason, it would be not be correct to say that the registered term cannot be used in "translation". Moreover, in some cases a registration may cover different linguistic versions (e.g. "Cítricos Valencianos" and "Citrics Valencians").<sup>58</sup> For those reasons, the relevant issue is not whether the registration allows the use of a name "in translation", but rather whether it gives a positive right to use a different sign, a question which has been answered by the EC in an unequivocal manner.

69. As explained by the EC in its response to Questions 2 and 3 from Australia, the assertion made by the United States in footnote 38 is based on a misunderstanding of the relevant EC law.

70. At paragraph 69 the United States asserts that:

Under Article 16.1, rather than seeking rejection or cancellation of a GI registration on an EC wide basis, the owner of an identical or similar valid trademark registered in the EC is entitled to prevent particular "uses" of the GI that confuse consumers in that state.

71. The EC submits that, in accordance with the last sentence of Article 1.1 TRIPS, it is for each Member to decide whether or not the sign should be invalidated first. As explained by the EC<sup>59</sup>, in many Members the owner of a registered trademark cannot be prevented from using it, even where it results in a likelihood of confusion with an earlier trademark, unless the registration is invalidated first. The interpretation advanced by the United States would imply that the trademark laws of all those Members are inconsistent with Article 16.1 TRIPS.

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<sup>55</sup> US Response to Panel's Question No. 130, para. 62; Australia's Response to Panel's Question No. 130, para. 53.

<sup>56</sup> US Response to Panel's Question No. 137, para. 65.

<sup>57</sup> US Response to Panel's Question No. 137, para. 68.

<sup>58</sup> See EC Response to Panel's Question No. 140, para. 176.

<sup>59</sup> See EC Response to Panel's Question No. 138, para. 170.



72. At paragraph 70, the United States refers to a decision of a South African court, according to which the use of the trademark "Budejovické Budvar" would give rise to a likelihood of confusion with the trademarks "Budweiser" and "Bud". In the first place, the EC recalls, once again, that the registration of the names "Budejovické pivo", "Českobudejovické pivo" and "Budejovický měšťanský" is not before this Panel<sup>60</sup>, as well as the fact that such registration is unique in that it is the only registration under Regulation 2081/92 which is subject to the proviso that it applies "without prejudice to any beer trademark or other rights existing in the European Union as of the date of accession". Moreover, the names "Budejovické Budvar" and "Bud" are not among the names registered under Regulation 2081/92. In any event, as stressed by the United States elsewhere, a determination of likelihood of confusion must take account of "the consumers' perception in a given territory".<sup>61</sup>

73. The United States also refers<sup>62</sup> to a decision of an Italian court enjoining a Czech producer of beer from using the names "Bud" and "Budweiser" because they give rise to a likelihood of confusion with the trademarks "Budweiser" and "Bud". However, once again, the names "Bud" and "Budweiser" are not among those registered under Regulation 2081/92.

74. Moreover, the EC understands that the decision of the South African court was adopted in response to an application for the registration of a trademark by the Czech producer and not in the context of infringement proceedings involving two registered trademarks. Therefore, it is totally irrelevant in connection with the issue raised in the Panel's question, which is whether a validly registered sign which is not confusing *per se* may, nevertheless, be used subsequently in a confusing manner. Similarly, the EC understands that the Italian case involves the infringement of a registered trademark by a non-registered trademark and is, therefore, irrelevant for the same reasons.

75. Finally, the EC would note the United States is misleadingly selective when citing examples of "likelihood of confusion" involving the trademarks "Bud" and "Budweiser". The Panel should be aware that the courts of other countries, including, for example, Australia and New Zealand, have found that there was no likelihood of confusion between the names which it cites in its response.<sup>63</sup>

#### Australia's Response

76. Australia says that<sup>64</sup>

Even within the Member States where the trademarks "Bavaria", "Hoker Bajer" and "Budweiser" are registered, the protection afforded by Regulation No. 2081 – in particular Article 13.1 – makes clear that the owner of a registered trademark would not be able to prevent confusingly similar or identical use of a sign or identical goods  
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77. Australia is confusing two different issues. Article 13(1) of Regulation 2081/92 defines the scope of the *negative* right of the right holders of a registered geographical indication to prevent certain uses, including as trademarks. It does not prejudice the answer to the distinct and previous question of whether the registration of a geographical indication must be refused in accordance with Article 14(3). Nor does it prejudice the answer to the distinct question of what is the scope of the

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<sup>60</sup> EC FWS, paras. 21-25.

<sup>61</sup> US Response to Panel's Question No. 137, para. 64.

<sup>62</sup> US Response to Panel's Question No. 137, para. 70.

<sup>63</sup> See Exhibit EC-114 and Exhibit EC-115.

<sup>64</sup> Australia's Response to Panel's Question No. 137, para. 59.

*positive* right to use a geographical indication<sup>65</sup>, and more specifically of whether that right includes the right to use a geographical indication in a manner that is contrary to the labelling Directive and the laws on unfair competition.

78. Australia also says that:<sup>66</sup>

Even where those trademarks are not registered in other EC Member States, each could still enjoy a reputation in the territories of those other States –particularly in adjoining States- which the EC-defined GI right holders could exploit through confusingly similar use of translations of the EC-defined GIs. The EC has not explained how, in such situations, the owners of those trademarks would be assured of the rights of a registered trademark owner to initiate infringement action, or of the standing to initiate legal action under other legal provisions, such as labelling, misleading advertising or unfair competition laws.

79. The relevance of this argument in the context of Australia's claims is unclear to the EC. As emphasised by Australia throughout these proceedings, trademark rights are territorial. The registration of a trademark in Member State A confers no exclusive rights in Member State B, just like the registration of a trademark in the United States confers no exclusive rights in Australia (subject to what is provided in Article 16.2 TRIPS, which Australia has not invoked in this dispute). Indeed, it is precisely for that reason that the EC institutions adopted the Regulation creating the Community Trademark.

80. On the other hand, the EC can confirm, once again, that there is nothing that prevents the owner of a trademark registered in Member State A from bringing an action in Member State B against the use of a geographical indication in a manner which is contrary to the Directive on labelling or to the unfair competition laws of Member State B, even if the trademark concerned is not registered in Member State B.

#### Question 145

81. The EC notes that the responses of the United States and Australia are contradictory and irreconcilable. While the United States persists in the mistaken theory that Article 24.5 is an "exception" to Articles 22 and 23<sup>67</sup>, Australia agrees with the EC that Article 24.5 is not a "mere exception"<sup>68</sup> and that it creates "positive rights".<sup>69</sup> Further, Australia agrees with the EC that Article 24.5 "defines the boundary between a Member's right to implement measures relating to TRIPS-defined GIs and its obligation to afford protection to pre-existing trademarks".<sup>70</sup> Nevertheless, Australia, fails to draw the appropriate conclusion from this.

82. If, as Australia and the EC agree, Article 24.5 is not an "exception" but rather defines the "boundary" between the right to implement protection for geographical indications and the obligation to protect grandfathered trademarks, it would follow that a Member which acts consistently with its rights and obligations under Article 24.5 could not violate Article 16.1. Yet, both Australia and the United States have made a point of not raising any claim, even in the alternative, to the effect that

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<sup>65</sup> By the same token, the fact that a registered trademark confers the *negative* right to prevent the use of confusingly similar signs does not mean that the owner of the trademark has a *positive* right to use the confusingly similar signs himself.

<sup>66</sup> Australia's Response to Panel's Question No. 137, para. 59.

<sup>67</sup> US Response to Panel's Question No. 145, para. 72.

<sup>68</sup> Australia's Response to Panel's Question No. 145, para. 61.

<sup>69</sup> Ibid.

<sup>70</sup> Australia's Response to Panel's Question No. 145, para. 61.

Article 14(2) of Regulation 2081/92 is inconsistent with Article 24.5. Their claims concerning the issue of co-existence are based on Article 16.1 exclusively.

83. The EC, therefore, submits that, if the Panel agrees with the definition of the relationship between Articles 24.5 and Article 16.1 put forward by Australia and the EC, it should reject the complainants' claim under Article 16.1 with respect to the issue of co-existence, without it being necessary for the Panel to consider whether Article 14(2) of Regulation 2081/92 is inconsistent with Article 24.5, given that the complainants have not submitted any claim to that effect.

84. The United States takes advantage of the response to this question in order to elaborate upon its interpretation of the phrase "shall not prejudice ... the validity of the registration".<sup>71</sup> As explained by the EC, the United States fails to distinguish between the "validity" of the registration and the exercise of the rights conferred by the registration. Moreover, the US interpretation would render duplicative and superfluous the reference to "the right to use a trademark". That right is the most fundamental right of the owner of any trademark, whether or not it is registered. If the drafters of Article 24.5 specified that the measures to implement protection of geographical indications shall not prejudice the right to use a trademark, but not the right to exclude others from using the trademark, it is because they did not intend to limit the Members' right to do so. The US interpretation reads an obligation to preserve the right to exclude others, where Article 24.5 provides none.

85. Furthermore, the US interpretation is clearly contradicted by the Spanish and the French versions of Article 24.5, which read as follows:<sup>72</sup>

Cuando una marca de fábrica o de comercio haya sido solicitada o registrada de buena fe, o cuando los derechos a una marca de fábrica o de comercio se hayan adquirido mediante su uso de buena fe:

a) antes de la fecha de aplicación de estas disposiciones en ese Miembro, según lo establecido en la Parte VI; o

b) antes de que la indicación geográfica estuviera protegida en su país de origen;

las medidas adoptadas para aplicar esta Sección no **prejuzgarán** la posibilidad de registro ni la validez del registro de una marca de fábrica o de comercio, ni el derecho a hacer uso de dicha marca, por el motivo de que ésta es idéntica o similar a una indicación geográfica.

Dans les cas où une marque de fabrique ou de commerce a été déposée ou enregistrée de bonne foi, ou dans les cas où les droits à une marque de fabrique ou de commerce ont été acquis par un usage de bonne foi:

a) avant la date d'application des présentes dispositions dans ce Membre telle qu'elle est définie dans la Partie VI, ou

b) avant que l'indication géographique ne soit protégée dans son pays d'origine,

les mesures adoptées pour mettre en oeuvre la présente section ne **préjugeront** pas la recevabilité ou la validité de l'enregistrement d'une marque de fabrique ou de

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<sup>71</sup> US Response to Panel's Question No. 145, para. 74.

<sup>72</sup> Emphases added.

commerce, ou le droit de faire usage d'une marque de fabrique ou de commerce, au motif que cette marque est identique ou similaire à une indication géographique.

86. The Spanish term "prejuzgarán" and the French term "préjugeront" do not have the ordinary meaning which the United States attributes to the English word "prejudice", i.e. to cause "injury, damage, harm".<sup>73</sup> The dictionary definition of "prejuzgar" is "juzgar de las cosas antes del tiempo oportuno, o sin tener de ellas cabal conocimiento".<sup>74</sup>

87. In turn, the dictionary definition of "préjuger"<sup>75</sup> is

I. 1. *Vx ou littér.* porter un jugement prématuré sur (qqch.). *Je ne veux point préjuger la question.* – Prévoir au moyen des indices dont on dispose. *Autant qu'on peut le préjuger; a ce qu'on peut préjuger.* 2. *Dr.* prendre une décision provisoire sur (qqch.) en laissant prévoir le jugement définitif.

88. The above definitions are similar to one of the ordinary meanings of the English term "prejudice", which is to "judge beforehand".<sup>76</sup>

89. Article 24.5 may be contrasted with other provisions of the TRIPS Agreement, such as Articles 13, 16.1, 26.2 or 30 where the English term "prejudice" has been rendered as "perjuicio" in the Spanish version and as "préjudice" in the French one. Unlike the terms "prejuzgar" and "préjuger" those terms mean "harm, injury, damage". This difference confirms that the terms "prejuzgarán" and "préjugeront" were chosen deliberately in order to convey a different meaning from that which the United States attributes to the English term "prejudice".

90. The French and the Spanish versions of Article 24.5 make it clear that, contrary to the US view, the phrase "shall not prejudice ... the validity of the registration" does not mean that a Member is prevented from taking any measure that may affect negatively the exercise of the rights conferred by the registration. Instead, it means that Members cannot invalidate the trademark merely on the basis that it is identical or similar to a geographical indication, *without prejudice* to the possibility to invalidate it on other grounds, such as that the trademark is not distinctive or is deemed misleading for other reasons. By the same token, the phrase "shall not prejudice ... the right to use the trademark" means that Members may not deny the right to use a trademark on the basis that it is the same or similar as a geographical indication, without prejudice to the possibility to do so on other grounds (e.g. because it would result in a likelihood of confusion with an earlier trademark).

## Question 148

91. The United States persists in obfuscating unnecessarily the discussion by confusing two issues which are clearly distinct under the TRIPS Agreement and under the trademark laws of both the United States and the EC.

92. The fact that Article 16.3 TRIPS and the anti-dilution provisions of the EC Trademark Directive and the Community Trademark Regulation afford additional protection to trademarks which enjoy reputation does not mean that reputation is irrelevant in order to establish a likelihood of confusion between signs for similar goods. The EC has shown that this is an uncontroversial proposition under both EC law and US law.<sup>77</sup>

<sup>73</sup> US Response to Panel's Question No. 76, para. 99.

<sup>74</sup> Diccionario de la Real Academia Española, 20th Edition, 1984.

<sup>75</sup> Le Nouveau Petit Robert, 1993.

<sup>76</sup> The New Shorter Oxford English Dictionary, Ed. Lesley Brown, Clarendon Press, Oxford 1993.

<sup>77</sup> EC SOS, paras. 166-169.

93. The United States mischaracterizes the EC position. The EC has not said that a finding of likelihood of confusion for the purposes of Article 16.1 TRIPS requires *always* a finding that the earlier trademark enjoys reputation, regardless of the inherent "strength" (distinctiveness) of the trademark. Rather the EC has noted the following:

- first, terms which are, or which may reasonably qualify, as geographical indications for a certain product are "descriptive" terms and, hence, primarily "non-distinctive". As such, they may be validly registered only to the extent that they have acquired distinctiveness (secondary meaning).
- second, the "strength" or degree of distinctiveness of a trademark (whether inherent or acquired) is a relevant criterion for assessing the "likelihood of confusion";
- third, length of use, reputation and renown are the basic criteria for measuring the degree of acquired distinctiveness of a trademark. Therefore, those criteria are particularly relevant when assessing the likelihood of confusion with trademarks which are primarily non-distinctive because they consist of descriptive terms, such as a geographical indication.

94. For the above reasons, Article 14(3) of Regulation 2081/92 directs expressly the authorities to consider length of use, reputation and renown. But this does not mean that other criteria are irrelevant. Nor that the criteria mentioned in Article 14(3) are necessarily dispositive. As explained by the EC<sup>78</sup>, if Article 14(3) does not mention the similarity of signs and goods is because such criteria are necessarily relevant for any determination of likelihood of confusion. Indeed, as also explained by the EC<sup>79</sup>, the criteria mentioned in Article 14(3) could not be meaningfully applied without taken into account the similarity of goods and signs.

95. For the above reasons, the decisions of the OHIM, of the ECJ and of Member State courts cited by the United States<sup>80</sup> are irrelevant. Indeed, as far as the EC can see, none of them concerns a situation involving a situation which can be considered as similar to that addressed by Article 14(3) of Regulation 2081/92, i.e. a situation requiring the assessment of the likelihood of confusion between a geographical indication or another descriptive sign and a registered trademark which consists of such sign.

### Question 149

96. The EC notes that the United States appears to concede<sup>81</sup> that Article 22.2 TRIPS is not relevant for the interpretation of Article 14(3) of Regulation 2081/92, given that Article 14(3) does not purport to implement that provision, but instead Article 16.1 TRIPS.

97. The United States, nevertheless, goes on to argue that.<sup>82</sup>

The word "mislead" appears to be used throughout the EC GI Regulation in the sense of affirmatively leading the public to believe something about the product that this is not true ...

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<sup>78</sup> EC Response to Panel's Question No. 68.

<sup>79</sup> Ibid.

<sup>80</sup> US Response to Panel's Question No. 148, para. 98.

<sup>81</sup> US Response to Panel's Question No. 149, para. 102.

<sup>82</sup> Australia's Response to Panel's Question No. 149, para. 104.

98. Similarly, Australia contends that:<sup>83</sup>

the word "misleading" is used throughout the Regulation – in Articles 3.2, 6.6, 13.1(c), 13.1(d) and 14.3 – in the sense of an action which positively provokes an error on the part of the consumer.

99. However, neither Australia nor the United States explain what they mean by "positively" or "affirmatively", respectively. Nor do they explain how the text of the provisions which they cite support that conclusion.

100. Both Australia and the United States contend that the French version of the provisions which they cite would confirm their reading. But they limit themselves to copy the text of those provisions, without explaining how it supports their interpretation.<sup>84</sup> As explained by the EC<sup>85</sup>, one of the ordinary meanings of the Spanish term "error", and of its equivalents in other romance languages (e.g. "erreur", "errore") is "confusión" ("confusion", "confusione"). The complainants do not address this argument.

101. The complainants' assertions fall short of a proper contextual interpretation. They limit themselves to note the obvious fact that different terms are used in different provisions, but make not attempt to read them in a coherent manner.

102. As explained by the EC, Article 14(3) of Regulation 2081/912 must be read together with Articles 7(4) and 7(5)(b)<sup>86</sup>. Article 7(4) allows trademark owners to object to the registration of a proposed name *inter alia* on the grounds that the registration would give rise to the situation described in Article 14(3). Article 7(5)(b) then provides that the authorities must resolve that objection having regard to the "likelihood of confusion". It would give rise to an internal contradiction within the Regulation if the standard for deciding an objection under Article 7(5)(b) were different from and more rigorous than the standard of Article 14(3).

103. Additional guidance is provided by Article 13(1)(d), which provides that registered names shall be protected against "any other practice liable to mislead the public as to the true origin of the product". The term "other" implies that the practices previously described in letters a) b) and c) are also "liable to mislead". Yet, those letters do not provide for a more rigorous standard than that of "likelihood of confusion" within the meaning of Article 16.1 TRIPS, but rather the opposite.

## Question 150

104. In answering this question the United States concedes that the exceptions provided in Article 6.1(b) of the Trademark Directive and Article 12(b) of the Community Trademark Directive are consistent with Article 17 TRIPS. Indeed, the United States could hardly contest this given that many other Members have similar exceptions in their statute books.<sup>87</sup>

105. Yet, as explained by the EC<sup>88</sup>, the requirement to use a registered geographical indication in accordance with the Directives on labelling and misleading advertising and with the laws on unfair

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<sup>83</sup> Australia's Response to Panel's Question No. 149, para. 77.

<sup>84</sup> US Response to Panel's Question No. 149, para. 104 and Australia's Response to Panel's Question No. 149, para. 78.

<sup>85</sup> EC SOS, para. 162.

<sup>86</sup> See also the equivalent provisions in Articles 12b(3), 12d(2) and 12d(3).

<sup>87</sup> See EC Response to Panel's Question No. 153, para. 240.

<sup>88</sup> EC Response to Panel's Question No. 153, paras. 242-244.

competition is equivalent to the condition that they must be used "in accordance with honest practices in industrial or commercial matters".

106. Thus, in definitive, what the United States appears to consider objectionable is the mere fact that the limitations on the use of a registered geographical indication are not provided in the EC's trademarks laws but instead in different legal instruments. However, neither Article 16.1 TRIPS nor any other provision of the TRIPS Agreement contains any requirement to that effect. To the contrary, Article 1.1 provides that "Members shall be free to determine the appropriate method of implementing the provisions of this Agreement within their own legal system and practice".

#### **Question 151**

107. The United States says that it agrees with the proposition made in the question that "Article 24.3 is an exception to Part II, Section 3".<sup>89</sup>

108. The EC does not read the suggestion made in the question as meaning that Article 24.3 is an "exception", but rather the opposite. As the EC understands it, the suggestion made in the question is that the obligation provided in Article 24.3 applies only with respect to the "exceptions" provided in *other* paragraphs of Article 24. If Article 24.3 were also an "exception", it could not impose upon Members the obligation not to rely upon those exceptions as a justification for diminishing pre-existing protection.

#### **Question 154**

109. The EC takes issue with the US suggestion<sup>90</sup> that the "legitimate interests" of consumers are necessarily the same as those of the trademark owner. Consumers, and in particular the EC consumers of foodstuffs, are often more interested in being informed about the origin of the products, and the characteristics associated thereto, than about the identity of the undertaking which is the source of the goods, in particular where that undertaking has no special reputation.<sup>91</sup>

110. In this connection, it is important to recall that, even if the complainants' narrow interpretation of Article 14(3) of Regulation 2081/92 were correct, that provision would prevent the registration of a geographical indication where it leads to confusion with a trademark that has been used for a certain period of time and enjoys some reputation or renown. Thus, on the complainants' own interpretation of Article 14(3), Article 14(2) would provide for the co-existence of geographical indications only with trademarks that have been used for a short period of time and/or enjoy little reputation/renown, if at all.

111. Both complainants attempt to read into the conditions of Article 17 a narrow "necessity" test, whereby the use of indications of origin would be permitted only to the extent strictly necessary to inform consumers about the origin of the products.<sup>92</sup>

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<sup>89</sup> US Response to Panel's Question No. 151, para. 108.

<sup>90</sup> US Response to Panel's Question 154, paras. 113 and 119.

<sup>91</sup> While US consumers may not be as familiar yet with geographical indications, there is a growing awareness. For example, as explained by the EC, the State of California has enacted legislation which prohibits the use of *any* trademark including or consisting of a recognised geographical indication for wine, including earlier trademarks grandfathered by Article 25.4, and regardless of whether they are subject to invalidation as being misleading. This statute, which has been recently upheld by California's Supreme Court (Exhibit EC-81) purports to protect not only the interests of the wine makers concerned but also those of the Californian consumers. This suggests that the State of California does not agree with the views expressed by the USTR in this dispute.

<sup>92</sup> See e.g. US Response to Panel's Question No. 154, paras 119-120; Australia's Response to Panel's Question No. 154, para. 84.

112. This interpretation is not supported by the text of Article 17. All that is required by Article 17 is that the exception be "limited" and that the interests of the trademark owner and of third parties be "taken into account". Reading the condition that the exception must be "limited" as imposing a strict "necessity" test would pre-empt the balancing of interests provided in the second condition of Article 17. In turn, the condition to "take account of the legitimate interests of the trademark owner and third parties" does not establish any hierarchy between the relevant interests and affords a margin of discretion to Members in order to find a proper balance between them.

113. Moreover, the "necessity" test advanced by the complainants would render irrelevant the exception provided in Article 17 with respect to the fair use of descriptive terms. The holders of a geographical indication have a legitimate interest in informing consumers about the origin of their products, and the characteristics associated thereto, in a manner which can be easily recognised by the public. One could, of course, argue that all that is "necessary" in order to inform consumers that a product is of a certain geographical indication is to mention it in small print at the bottom of a back label, somewhere between the ingredients list and the expiry date. That use, however, would not give rise to a "likelihood of confusion" and would not need to be justified under Article 17. The exception provided in Article 17 with respect to the "fair use" of descriptive terms only becomes necessary to extent that geographical indications are used in what the United States calls misleadingly "trademark-like" fashion.

114. Finally, as shown by the EC, the "necessity" test devised by the complainants cannot be reconciled with the terms of the exceptions clauses included in the trademark laws of a large number of Members, which do not require that the use be "necessary", but instead that it be "in good faith", or in accordance with "honest", "fair" or "proper" business or trade practices.<sup>93</sup>

115. By way of conclusion, the United States asserts that:<sup>94</sup>

Under the EC's interpretation of TRIPS Article 17, all uses of a registered GI are automatically entitled to the "fair use" exception, no matter what the facts of particular case at hand (i.e. whether the use is fair, the term is descriptive, or the legitimate interests of the trademark owner are considered) by simple virtue of registration alone.

116. This is a gross mischaracterization of the EC's position:

- first, the EC does not claim an exception with respect to terms that are not "descriptive". The EC argues that geographical indications, like all other indications of source, are *per se* descriptive terms;
- second, the EC has explained that the interests of the trademark owners are taken into account in several ways.<sup>95</sup> The United States does not address the EC's arguments in its response.
- third, the EC has explained that registered geographical indications must be used in accordance with the requirements of the Directives on labelling and misleading advertising and the laws on unfair competition. This reduces the likelihood of confusion

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<sup>93</sup> EC Response to Panel's Question No. 153, para. 240.

<sup>94</sup> EC Response to Panel's Question No. 154, para. 120.

<sup>95</sup> EC Response to Panel's Question No. 154, para. 254.



and ensures that the use of the geographical indications is "fair".<sup>96</sup> Again, the US does not address this argument in its response.

### Question 155

117. The EC agrees with both complainants that "trademarks are not merely descriptive and cannot be considered 'descriptive terms' within the meaning of Article 17."<sup>97</sup>

118. As pointed out by Australia<sup>98</sup>, the reason why trademarks are not "descriptive" is that, in accordance with Article 15.1 TRIPS, they must be "distinctive", i.e. they must be capable of distinguishing the products of *one* undertaking from those of other undertakings. A "descriptive" term is inherently not "distinctive" and, therefore, incapable of being a trademark. A geographical term (except where it is fanciful because it cannot be reasonably associated to the products concerned) is primarily descriptive of the origin of the products and, hence, non-distinctive. For that reason, geographical terms are generally not registrable as trademarks, unless they have acquired distinctiveness through use.

119. Having explained correctly that trademarks are not "descriptive" terms because they must be "distinctive" within the meaning of Article 15.1 TRIPS, Australia goes on to assert that<sup>99</sup>

In the same way, and for the same reasons, use of a GI cannot be said to be merely use of an indication of source within the meaning of the Paris Convention or to be use of a descriptive term within the meaning of TRIPS Article 17.

120. This is incorrect. The analysis made by Australia with respect to trademarks cannot be extrapolated to geographical indications. Australia disregards that there is a fundamental difference between trademarks and geographical indications. Unlike trademarks, geographical indications are not "distinctive" within the meaning of Article 15.1, because they do not serve to distinguish the products of *one* undertaking from those of other undertakings. Rather, the purpose of a geographical indication is to identify the geographical area in which a product originates, where certain characteristics are associated to that origin, regardless of the undertaking which produces or markets that product.

121. Australia is also wrong when it says that geographical indications are not indications of source within the meaning of the Paris Convention.<sup>100</sup> Geographical indications are a subset of indications of source. The name "Australia" is always an indication of source, regardless of whether it may qualify as well as a geographical indication with respect to certain products, as claimed by Australia outside these proceedings. Commenting upon Article 1(2) of the Paris Convention, Bodenhausen says that<sup>101</sup>

Appellations of origin are now considered to be a *species* of the *genus* 'indications of source', characterized by their relationship with quality or characteristics derived from the source.

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<sup>96</sup> See e.g. EC Response to Panel's Question No. 153, paras. 234-244.

<sup>97</sup> See e.g. US Response to Panel's Question No. 155, para. 123; US Response to Panel's Question No. 156, para. 130; and Australia's Response to Panel's Question No. 155, para. 92.

<sup>98</sup> Australia's Response to Panel's Question No. 155, para. 89.

<sup>99</sup> Australia's Response to Panel's Question No. 155, para. 92.

<sup>100</sup> Australia's Response to Panel's Question No. 157, para. 92.

<sup>101</sup> G.H.C. Bodenhausen, *Guide to the Application of the Paris Convention for the Protection of Industrial Property*, BIRPI Geneva 1968, p. 23.

122. Geographical indications differ from simple indications of source in that, in addition to describing the origin of the products, they describe certain product characteristics that are attributable to that origin. But this does not make them "distinctive" within the meaning of Article 15.1.

123. Australia also says that "if geographical indications were purely descriptive there would not be any need –or indeed any basis- for an intellectual property right".<sup>102</sup> The EC does not understand this argument, which appears to be based on the erroneous notion that intellectual property rights must necessarily be owned by individuals. As explained, descriptive terms cannot be the subject of trademark rights because trademarks must be "distinctive". On the other hand, there is no reason why a descriptive term cannot be the subject of other intellectual property rights owned collectively by all the producers of goods conforming to the relevant description. Indeed, Article 1(2) of the Paris Convention provides expressly that "the protection of industrial property has as its object", among other things, "indications of source", which Australia does not dispute are "purely descriptive".

124. Finally, even if geographical indications were not "descriptive terms" within the meaning of Article 17, the complainants have not given any good reason why fair use of a geographical indication should not qualify for an exception under Article 17. The exception provided in Article 17 with respect to the fair use of descriptive terms is just an example. The potential universe of uses of an indication of source is not more "limited" than that of a geographical indication. And the interest in using a geographical indication is no less "legitimate" than the interest in using an indication of source. Nor is there any reason why the use of a geographical indication should be more confusing *per se* or more prejudicial to the interests of the trademark owner. Australia has said that it is "reasonable and fair for people to be able to say ... 'made in Australia'".<sup>103</sup> The EC agrees. The EC would add, however, that it is reasonable and fair for people to be able to say that their products are made in Australia, irrespective of whether "Australia" is an indication of source or a geographical indication for the goods concerned (as Australia claims with respect to wine, for example). It would be absurd if only the producers of goods originating in an area which qualifies as a geographical indication were prevented from indicating the origin of their goods.

### Question 156

125. The United States makes a remarkable argument to the effect that the exception provided in Article 17 is narrower than the exceptions in Articles 13, 26.3 and 30 because it is subject to *less* conditions.

126. Even more remarkable is the US argument to the effect that the "take account" standard of Article 17 is in fact more protective of the interests of the right holder than the "unreasonably prejudice" standard of Articles 13, 26.3 and 30, even though Articles 26.3 and 30 distinguish expressly between the two standards and reserve the "take account" standard for the interests of third parties.

127. In essence, the United States argues that Article 17 does not include the "normal exploitation" and the "unreasonable prejudice" conditions because any limitation of the exclusive rights of the trademark owner would necessarily fail to meet those conditions.<sup>104</sup> However, from the fact that Article 17 does not include those conditions it cannot be inferred that it purports to provide even stricter standards which are not reflected in the wording of the text. Rather, the logical inference is that the drafters mean to provide for more lenient standards.

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<sup>102</sup> Australia's Response to Panel's Question No. 157.

<sup>103</sup> Australia's Response to Panel's Question No. 154, para. 86.

<sup>104</sup> US Response to Panel's Question No. 156, para. 130.

128. The United States confuses the "legitimate interests" of the trademark owner with the full enjoyment of its legal rights, despite the clear distinction drawn by the Panel in *Canada – Pharmaceutical Patents*.<sup>105</sup>

129. Moreover, even where legal rights rather than legitimate interests are taken into account, the co-existence of a trademark with another trademark or with a geographical indication is far from being so "abnormal" or "unreasonable" as the United States pretends. It is envisaged by several provisions of Sections 2 and 3 of Part III, even where it may lead to some confusion. For example:

- Article 16.1 provides for the co-existence of registered trademarks with existing prior rights;
- Article 23.2 allows co-existence of a geographical indication for wines or spirits and a trademark consisting or including such geographical indication if used for wines and spirits originating in the area to which the geographical indication relates. *A priori*, the risk that consumers may confuse that geographical indication with the trademark may be the same as when the products covered by the trademark do not originate in that area. Nevertheless, co-existence is allowed because it does not mislead consumers as to the true geographical origin of the products;
- co-existence may arise as well from Article 24.3, when the protection of geographical indications existing before the date of entry into force of the WTO Agreement provided for such co-existence;
- co-existence is envisaged also by Article 24.4, which provides that a Member may allow "continued and similar" use of a geographical indication<sup>106</sup> for wines or spirits of another Member by its nationals or domiciliaries who have used it before 1 April 1994 in good faith or for at least 10 years preceding that date, regardless of whether this gives rise to confusion with the products of the other Member that are entitled to use that geographical indication.

130. Finally, there is nothing in the TRIPS Agreement that prevents Members from providing for the co-existence of non-registered trademarks and other trademarks, including latter registered trademarks, or geographical indications. In particular, as conceded by Australia, Article 24.5 allows co-existence with respect to non-registered grandfathered trademarks even on the complainants' reading of that provision.

### Question 157

131. Contrary to the US assertions,<sup>107</sup> it is simply not true that the EC has left "unspecified" the other measures which it applies in order to comply with Article 22.2 TRIPS, in addition to Regulation 2081/92. The EC mentioned those measures in its first written submission.<sup>108</sup> Furthermore, the EC referred the Panel and the other parties to the responses of the EC and of its Member States to the review under Article 24.2 TRIPS, where those measures were further specified and explained. The EC has provided as Exhibit EC-22 copies of those responses, which must therefore be deemed part of the EC's submissions to the Panel.

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<sup>105</sup> Panel Report, *Canada – Pharmaceutical Patents*, paras. 7-68-7.69.

<sup>106</sup> The EC recalls that the United States has argued that Article 24.4 applies also with respect to the use of geographical indications as trademarks, including trademarks which are not grandfathered by virtue of Article 24.5.

<sup>107</sup> US Response to Panel's Question No. 157, para. 134.

<sup>108</sup> See EC FWS, para. 434.

132. The EC noted in its first written submission that the complainants were well aware of the existence of those other measures, as well as of the EC's position that those measures implement its obligations under Article 22.2. The complainants have not denied this. Yet, neither of them mentioned those measures in their panel requests. Furthermore, even after the EC confirmed in the course of these proceedings that, as explained in its responses to the review under Article 24.2 TRIPS, it applies other measures in order to implement Article 22.2, the United States and Australia failed to submit any argument or evidence in order to show that, contrary to what is explained in the responses, those measures are not sufficient to comply with Article 22.2.

133. The US suggestion<sup>109</sup> that the EC declined to provide information requested by the Panel is also untrue. At the first meeting with the Panel, the EC confirmed its willingness to provide any information requested by the Panel. The EC, nevertheless, pointed out that in making its requests for information the Panel should be careful not to shift the burden on proof from the complainants to the EC. This was a legitimate concern which the EC believes the Panel has properly taken into account in formulating its questions to the parties.

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<sup>109</sup> US Response to Panel's Question No. 157, para. 134.

**ANNEX B-10**

**COMMENTS OF THE EUROPEAN COMMUNITIES ON THE REPLY  
OF THE INTERNATIONAL BUREAU OF WIPO  
TO THE PANEL'S LETTER OF 9 JULY 2004**

(28 September 2004)

The EC is referring to your letter of 14 September 2004, in which you are requesting comments on the factual information provided by the International Bureau of WIPO.

The EC notes that in its letter to WIPO, the Panel requested information in particular as regards the meaning of the term "national" in Article 2 of the Paris Convention.

In the view of the EC, the drafting materials of the Paris Convention provided by the International Bureau of WIPO confirm the view which the EC has expressed throughout the proceedings, namely that the word "national" is a distinct term which cannot be equated with persons "domiciled or established" in the territory of a particular member.<sup>1</sup>

In particular, the EC notes that until the Act of the Hague, 1925, Article 2 of the Paris Convention referred to "subjects or citizens", instead of nationals. The terms "subject or citizen" clearly refer to a specific status conferred on persons under the law of the State in question. The terms "subjects or citizens" were subsequently replaced by the single expression "nationals" (French: ressortissants) for reasons of simplification.<sup>2</sup> There was clearly no intention to enlarge the meaning of "nationals" to all persons domiciled or established in the territory of a party.

The same is also demonstrated by the drafting history of Article 3 of the Paris Convention. In the Materials of the Paris Conference of 1880, it is clarified «que la Convention sera applicable, non pas à tous les étrangers, sans distinction, mais à ceux qui seraient domiciliés ou établis dans l'un des Etats de l'Union». It follows clearly from this that a person which does not possess the nationality of a Member is not a "national" of that Member only because it is domiciled or established on the territory of the Member.

Accordingly, the drafting history of Articles 2 and 3 of the Paris Convention illustrate that contrary to the views of the complainants, "nationality" is a different concept from domicile or establishment. In the view of the EC, the same also applies for the similarly worded provision of Article 3(1) of the TRIPS Agreement.

The EC would like to thank the Panel for this occasion to comment on the information provided by WIPO.

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<sup>1</sup> Cf. EC Second Oral Statement, paras. 20–21.

<sup>2</sup> Cf. for instance the discussions in the Actes de la conférence de Paris de 1880, neuvième séance, p. 125.