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ANNEX A-1

UNITED STATES' RESPONSE TO THE EUROPEAN COMMUNITIES' REQUEST FOR A PRELIMINARY RULING (15 March 2004)

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I. INTRODUCTION

1. The European Communities ("EC") offers no legitimate basis for its request for a preliminary ruling ("EC Request") that the US panel request in this dispute fails to meet the requirements of Article 6.2 of the *Understanding on the Rules and Procedures Governing the Settlement of Disputes* ("DSU"). To the contrary, as required by Article 6.2, the US panel request properly "identif[ies] the specific measures at issue and provide[s] a brief summary of the legal basis of the complaint sufficient to present the problem clearly."

2. The EC would, in contrast, have this Panel require the identification, not of the "specific measures", but of the specific *aspects* or parts of the measures that the United States intends to raise in this proceeding. The EC would also have this Panel read into Article 6.2 another requirement that is not there and that the Appellate Body has specifically rejected: a requirement that the United States summarize the specific legal arguments to be presented in the first US submission. The Appellate Body in *EC Bananas*¹ has already rejected the suggestion that a complaining party must summarize its legal arguments in the panel request, and this Panel should do so as well.

II. STATEMENT OF FACTS

3. The United States requested formal dispute settlement consultations with the EC concerning "the protection of trademarks and geographical indications for agricultural products and foodstuffs", and, in particular, Regulation 2081/92, as amended,² almost five years ago, on June 1, 1999.³ The United States and the EC held a first set of consultations on July 9, 1999. In its request, the United States stated that Regulation 2081/92 "does not provide national treatment with respect to geographical indications, and does not provide sufficient protection to pre-existing trademarks that are similar or identical to a geographical indication." At no time during this first set of consultations did the EC suggest it did not understand the legal basis for the US complaint.

4. Indeed, over the course of the following four years, numerous consultations were held between representatives of the United States and of the EC concerning, in detail, what the United States perceived to be inconsistencies between Regulation 2081/92 and the WTO obligations of the European Communities.⁴

5. On April 4, 2003, the United States requested additional consultations with the EC which, *inter alia*, specified that Regulation 2081/92, as amended, and its related implementing and enforcement measures appeared to be inconsistent with the national treatment and most favored nation ("MFN") obligations of the *Agreement on Trade-Related Aspects of Intellectual Property Rights* ("TRIPS Agreement"), with respect to nationals, and the *General Agreement on Tariffs and Trade*

¹ Report of the Appellate Body, *European Communities – Regime for the Importation, Sale and Distribution of Bananas*, WT/DS27/AB/R, adopted September 25, 1997 ("EC Bananas").

² 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.

³ WT/DS174/1.

⁴ Letter from Joseph Papovich to Joao Pacheco, dated June 6, 2001, incorporating 20 questions concerning Regulation 2081/92 (Exhibit US-1); Letter from Joseph Papovich to Joao Pacheco, dated August 21, 2001, attaching additional 15 questions (Exhibit US-2); Letter from Steve Kho to Jean-Jacques Boufflet, dated May 19, 2003, enclosing 36 questions for purposes of the May 27, 2003, consultations, and addressing, among other issues relative to Regulation 2081: national treatment, most favored nation treatment, exclusivity of trademarks, implementing regulations and enforcement, availability of legal means for interested parties to prevent misleading uses of geographical indications, transparency, and definitions of geographical indications (Exhibit US-3). These documents from the consultations are relevant because they show that the EC is not in the dark, as it claims to be, concerning problems with respect to Regulation 2081/92. The claims in this dispute, however, are as set forth in the US panel request.

1994 ("GATT 1994"), with respect to goods.⁵ On May 19, the United States submitted detailed questions to the EC in advance of consultations that were held on May 27, 2003, which, as noted above, addressed issues that are the subject of the panel request.⁶ Again, at no time during this last set of consultations did the EC even suggest it did not understand the legal basis for the US complaint.

6. The May 27th consultations also failed to resolve the matter. Consequently, on August 18, 2003, the United States requested the establishment of a panel, specifically identifying Regulation 2081/92, as amended, and its related implementing and enforcement measures, and providing a brief summary of the legal basis of the complaint. That summary consisted of both a narrative and a specific citation to particular paragraphs of the TRIPS Agreement and the GATT 1994.

III. THE REQUIREMENTS OF DSU ARTICLE 6.2

7. Article 6.2 of the DSU requires, in relevant part, that a request for the establishment of a panel:

identify the specific measures at issue and provide a brief summary of the legal basis of the complaint sufficient to present the problem clearly.

8. The EC Request contains a number of quotations from Appellate Body and panel reports, in particular from *Korea Dairy*⁷ and *EC Bananas*, that explain this provision and emphasize its role and importance in dispute settlement. It has entirely missed, however, one aspect of these reports which is critical to the issue now before this Panel: the key distinction between the *claims* – which must be included in the panel request – and the *arguments* in support of those claims – which need not be included. As the Appellate Body explained in *EC Bananas*:

In our view, there is a significant difference between the *claims* identified in the request for the establishment of a panel, which establish the panel's terms of reference under Article 7 of the DSU, and the *arguments* supporting those claims, which are set out and progressively clarified in the first written submissions, the rebuttal submissions and the first and second panel meetings with the parties.⁸

9. Furthermore, and contrary to the EC's argument at paragraph 37 of its preliminary ruling request, the Appellate Body in *EC Bananas* made clear that a panel request may adequately state a claim if the request simply cites the pertinent provision of the WTO agreement:

We accept the Panel's view that it was sufficient for the Complaining Parties to list the provisions of the specific agreements alleged to have been violated without setting out detailed arguments as to which specific aspects of the measures at issue relate to which specific provisions of those agreements.⁹

10. The Appellate Body confirmed this reading in *Korea Dairy*. In that dispute, the problem with the panel request was that it cited too broadly to Article XIX of the GATT 1994 and various articles of the *Agreement on Safeguards*, all of which contained numerous sub-articles, so that it was difficult to determine which specific obligations in those provisions were at issue.¹⁰ The US panel request in

⁵ WT/DS290/1 /Add.1.

⁶ See Exhibit US-3.

⁷ Report of the Appellate Body, *Korea – Definitive Safeguard Measure on Imports of Certain Dairy Products*, WT/DS98/AB/R, adopted January 12, 2000 ("Korea Dairy").

⁸ *EC Bananas*, para. 141.

⁹ *Id.*

¹⁰ The Appellate Body explained:

this dispute, by contrast, cites to specific provisions of the WTO agreements at issue, and cannot be said to suffer a similar defect.

11. The EC also fails to note that *even if* a panel request is insufficiently detailed "to present the problem clearly," the Panel is not automatically deprived of jurisdiction over the matter. Rather, the Panel must examine, based on the "particular circumstances of the case," whether the defect has prejudiced the ability of the responding party to defend itself. As the Appellate Body explained in *Korea Dairy*:

In assessing whether the European Communities' request met the requirements of Article 6.2 of the DSU, we consider that, in view of the particular circumstances of this case and in line with the letter and spirit of Article 6.2, the European Communities' request should have been more detailed. However, Korea failed to demonstrate to us that the mere listing of the articles asserted to have been violated has prejudiced its ability to defend itself in the course of the Panel proceedings. Korea did assert that it had sustained prejudice, but offered no supporting particulars in its appellant's submission nor at the oral hearing. We, therefore, deny Korea's appeal relating to the consistency of the European Communities' request for the establishment of a panel with Article 6.2 of the DSU.¹¹

12. Therefore, in evaluating claims regarding whether a panel request "presents the problem clearly," the Panel must consider the particular circumstances of the dispute, including whether the responding party has been prejudiced.

13. The EC asserts that, inconsistently with Article 6.2, the US panel request neither (1) identifies the specific measures at issue, nor (2) provides a brief summary of the legal basis of the complaint sufficient to present the problem clearly, and that the EC has thereby been seriously prejudiced. As detailed in the sections that follow, the EC is wrong on all counts.

IV. THE EC'S ASSERTION THAT THE US PANEL REQUEST DOES NOT IDENTIFY THE "SPECIFIC MEASURES AT ISSUE" IS INCORRECT

A. IN CITING REGULATION 2081/92, THE US PANEL REQUEST HAS IDENTIFIED THE "SPECIFIC MEASURES AT ISSUE"

14. The EC argues that specifically citing a particular EC regulation is not "sufficiently specific to permit an identification of the 'specific measure [sic: measures] at issue'."¹² The EC argues that the complainants should have identified which specific aspects of Regulation 2081/92 they intend to

In the present case, we note that the European Communities' request for a panel, after identifying the Korean safeguard measure at issue, listed Articles 2, 4, 5 and 12 of the Agreement on Safeguards and Article XIX of the GATT 1994. Article XIX of the GATT 1994 has three sections and a total of five paragraphs, each of which has at least one distinct obligation. Articles 2, 4, 5 and 12 of the Agreement on Safeguards also have multiple paragraphs, most of which have at least one distinct obligation. The Agreement on Safeguards in fact addresses a complex multi-phased process from the initiation of an investigation, through evaluation of a number of factors, determination of serious injury and causation thereof, to the adoption of a definitive safeguard measure. Every phase must meet with certain legal requirements and comply with the legal standards set out in that Agreement.

Korea Dairy, para. 129.

¹¹ *Id.* para. 131.

¹² EC Request, paras. 14 - 15. The EC quotes Article 6.2 as requiring identification of a single "measure" at issue, whereas Article 6.2 refers to the "measures" at issue.

raise, and claims that "it would have easily been possible for the complainants to provide more specific references to individual provisions of Regulation 2081/92."¹³ This argument is groundless, for several reasons.

15. First, Article 6.2 requires that the complaining party identify the "specific measures at issue" in its panel request, and the United States has done precisely that in identifying EC Regulation 2081/92, in its entirety. There is nothing in Article 6.2 which limits the right of complaining parties to choose the measures they wish to challenge, and previous disputes have covered a broad range of measures.¹⁴ This, in itself, is grounds for rejecting the EC request.

16. Second, the EC suggests that identifying EC Regulation 2081/92, which addresses the protection of geographic indications and designations of origin for agricultural products and foodstuffs, is analogous to identifying the entire civil code of another Member.¹⁵ EC Regulation 2081/92, however, is not like a civil code. Unlike a civil code, which addresses a broad range of subject matter, including, for example, marriage, adoption, labor, property, contracts and other obligations, and antitrust, EC Regulation 2081/92 addresses one specific subject, *i.e.*, the rules for the protection of designations of origin and geographical indications for certain agricultural products and foodstuffs. Indeed, while it is true, as the EC notes, that EC Regulation 2081/92 includes several articles, they all relate to this one subject, and in fact all of these articles are relevant to the US claims in this dispute.

17. Third, the EC offers an "illustrative list" of supposedly distinct "topics" in Regulation 2081/92. Apart from the fact that Article 6.2 includes no requirement that specific "topics" within a measure be identified,¹⁶ Regulation 2081/92 is an integrated whole: Article 12a, for instance, which concerns applications for third country geographical indications, contains specific cross-references to Articles 4, 5, 12, and 15, which in turn cross-reference Articles 2, 4, and 6. And, of course, other articles, *e.g.*, addressing definitions, objective, and scope, are implicitly incorporated. Taking into account the integrated nature of EC Regulation 2081/92, the United States chose, in exercising the broad discretion afforded it under Article 6.2, to identify the whole Regulation as the "specific measures at issue."

18. Fourth, the EC quotes from a number of disputes in which the sufficiency of panel requests under Article 6.2 was considered, but does not point to any in which the Appellate Body or a panel found that identifying a particular law or regulation as a measure, without identifying particular articles of the law or regulation, is insufficient. For instance, in *EC Bananas*, both the panel and the Appellate Body found a request sufficient when it referred to "a regime for the importation, sale and

¹³ EC Request, para. 22. The EC Request does not question the inclusion of amendments to Regulation 2081/92 as part of the measures at issue in the US panel request. The United States therefore assumes that whether the inclusion of amendments is sufficiently specific under Article 6.2 is not at issue.

¹⁴ See, *e.g.*, *United States – Measures Affecting the Cross-Border Supply of Gambling and Betting Services ("United States Gambling")*, Request for Establishment of a Panel by Antigua and Barbuda, WT/DS285/2, in which the cited measures included a range of code sections and constitutional provisions for all 50 US states and several US territories.

¹⁵ EC Request, para. 18.

¹⁶ The EC apparently does not believe itself obligated to identify specific topics within a measure in other disputes; *e.g.*, *United States – Tax Treatment for "Foreign Sales Corporations"*, WT/DS108 ("US FSC"), where the measures identified were sections 921-927 of the US Internal Revenue Code and related measures. The cited statutory provisions alone consisted of seven sections with numerous sub-parts, taking up more than 20 pages of the EC's first exhibit. Further, in *Canada – Measures Relating to Exports of Wheat and Treatment of Imported Grain*, WT/DS276/12, Preliminary Ruling circulated July 21, 2003 ("Canada Wheat"), in which the EC is a third party, the EC stated, at paragraphs 15-16 of its June 4, 2003, comments, that the US identification of "the Canada Grain Act and Canadian grain regulations," without referencing specific articles, was sufficient to satisfy the requirements of Article 6.2.

distribution of bananas established by Regulation 404/93 and subsequent EC legislation, regulations and administrative measures ... which implement, supplement and amend that regime."¹⁷ Indeed, the issue in prior disputes regarding the identification of measures at issue has generally been whether Article 6.2 requires a citation to a particular law or regulation, or whether simply describing the measure without citation is specific enough. On that particular question, the panel in *Canada Wheat*, the only dispute cited by the EC on this issue, noted that it is desirable but unnecessary for panel requests to "specify measures of general application – *i.e.*, laws and regulations – by name, date of adoption, etc."¹⁸ In this dispute, by contrast, the US panel request specifically cites Regulation 2081/92 and the EC is arguing that even this "desirable," although unnecessary, form of identification is insufficient. In short, the EC is seeking to dramatically increase the level of specificity required under Article 6.2 in this proceeding without any textual or other basis, simply to suit its immediate interest in this dispute.

19. For the reasons above, the US reference to Regulation 2081/92 constitutes an identification of the specific measures at issue, as required by Article 6.2.

B. IN IDENTIFYING REGULATION 2081/92 "AND ITS RELATED IMPLEMENTING AND ENFORCEMENT MEASURES", THE US PANEL REQUEST IDENTIFIED THE "SPECIFIC MEASURES AT ISSUE"

20. The EC argues that Australia's identification of "related implementing and enforcement measures" falls short of the Article 6.2 requirement to identify the "specific measures at issue." The EC asserts, at footnote 10, that the US panel request does not include a reference to "related implementing and enforcement measures." This is incorrect. In paragraph 2 of its panel request, the United States defines the measures at issue – Regulation 2081/92, as amended – to include its related implementing and enforcement measures. Be that as it may, the EC has not challenged this aspect of the US panel request, even after it was pointed out at the March 3 organizational meeting that the United States used precisely the same formulation as Australia. Under these circumstances, it is unclear on what basis the EC continues to maintain its complaint about the Australian panel request.

21. In any case, the EC's argument with respect to Australia's panel request is wrong and ill-founded. The EC claims that "related" is a vague term and that many laws and regulations might be considered "related." It also claims that many laws and regulations may be necessary to implement and enforce the regulation. Therefore, the EC professes ignorance of what measures are at issue. This argument is disingenuous. The Australian panel request does not refer to unknown "related implementing and enforcement" measures. It refers to a specific regulation providing for the protection of geographical indications in the EC and its related implementing and enforcement measures. The identification of these measures is specified through the reference to its relationship to Regulation 2081/92, *i.e.*, those measures that enforce and implement Regulation 2081/92. As noted above, the Appellate Body found less specific language to be adequate in *EC Bananas*: "a regime for

¹⁷ *EC Bananas*, para. 140.

¹⁸ Preliminary Ruling of the Panel, *Canada – Measures Relating to Exports of Wheat and Treatment of Imported Grain*, WT/DS276/12, circulated on July 21, 2003 ("*Canada Wheat*"), para. 19:

We note that the United States' panel request refers to "laws" and "regulations", yet does not specify the relevant laws and regulations by name, date of adoption, etc. We consider that it is desirable for Members to be as specific as possible in identifying measures of general application, including by indicating their name and date of adoption. However, by its terms, Article 6.2 does not require that panel requests explicitly specify measures of general application – *i.e.*, laws and regulations – by name, date of adoption, etc. Therefore, we consider that the fact that the United States has not specified the relevant laws or regulations by name, date of adoption, etc. does not necessarily render the panel request inconsistent with Article 6.2.

the importation, sale and distribution of bananas established by Regulation 404/93 and subsequent EC legislation, regulations and administrative measures ... which implement, supplement and amend that regime."¹⁹ The EC itself adopted a similar approach in *US FSC* when it identified the measures as "sections 921 - 927 of the Internal Revenue Code and related measures establishing special tax treatment for 'Foreign Sales Corporations'."²⁰

22. Finally, the EC is in a poor position to be pleading that the "related implementing and enforcement measures" are not specified. In trying to understand these measures fully during the course of consultations almost one year ago, the very first category of information the United States and Australia requested from the EC was with respect to "Implementing Regulations." In particular, the United States asked for a list of "all EC rules, regulations or other measures implementing or related to EC Regulation 2081/92" and copies of all such "relevant measures." In addition, the United States asked several specific questions about relevant member State implementing regulations, including those related to member State inspection structures, and asked for copies of all such relevant measures. The EC was utterly unresponsive to this request during the consultations, and never provided citations to a single implementing measure in response to this request, despite numerous opportunities to do so. Article 4.10 of the DSU states that Members will engage in dispute settlement procedures in good faith in an attempt to resolve the dispute. More specifically, Article 4.3 of the DSU obliges the Members to enter into consultations in good faith. Given the failure of the EC itself to identify Regulation 2081/92's implementing and enforcement measures by citation, this Panel should require no more specificity of the United States than the EC was willing to offer the United States.

23. The EC, in arguing that the identification of "related implementation and enforcement measures" is unspecific, refers to the preliminary ruling in *Canada Wheat*, where, in paragraphs 20 and 24, the panel found that, "in the absence of an explicit identification, sufficient information must be provided in the request for establishment of the panel itself that effectively identifies the precise measures at issue."²¹ The *Canada Wheat* panel found there was not sufficient information where the panel request contained contradictory references which obscured the content and meaning of the "laws and regulations" referred to in the request.²² However, that panel also found that a similarly broad reference to "actions" was clear, in context, because the request stated that these actions related to "purchases or sales involving wheat exports."²³

24. In this dispute, there are no contradictory references, and there is no uncertainty as to the content or the nature of the "implementing and enforcement measures" at issue: they are the implementing and enforcement measures that are "related" to Regulation 2081/92, on the protection of geographical indications and designations of origin for agricultural products and foodstuffs.

25. In summary, both the Australian and the US panel requests specifically identify the "implementing and enforcement measures" at issue in this dispute, consistent with Article 6.2.

¹⁹ *EC Bananas*, para. 140.

²⁰ WT/DS108/2, July 9, 1998.

²¹ EC Request, paras 25 and 26.

²² *Canada Wheat*, para. 24.

²³ *Canada Wheat*, para. 26.

V. CONTRARY TO THE EC'S ALLEGATIONS, THE US PANEL REQUEST PROVIDES A BRIEF SUMMARY OF THE LEGAL BASIS OF THE COMPLAINT SUFFICIENT TO PRESENT THE PROBLEM CLEARLY

A. THE US PANEL REQUEST PROVIDES A BRIEF SUMMARY OF THE LEGAL BASIS OF THE COMPLAINT SUFFICIENT TO PRESENT THE PROBLEM CLEARLY

26. The United States does provide a brief summary of the legal basis of the complaint sufficient to present the problem clearly, as required by Article 6.2. It both lists the specific provisions of the TRIPS Agreement and the GATT 1994 alleged to be violated, and provides, in addition, a brief textual explanation of the basis of the complaint.

1. Citations to specific WTO agreement provisions

27. The Appellate Body has made clear on several occasions, directly contrary to the EC's assertion in paragraph 37 of its request, that a panel request may adequately summarize the legal basis of the complaint under Article 6.2 by simply citing the pertinent provisions of the WTO Agreement.²⁴ The EC cites *Korea Dairy*, in which the Appellate Body stated that there may be circumstances in which a "listing of treaty articles would not satisfy the standard of Article 6.2."²⁵ But in that proceeding the articles cited had multiple paragraphs, many of which had their own distinct obligations: for instance, the panel request cited Article XIX of the GATT 1994, containing three sections and five paragraphs, each with at least one distinct obligation, and Article 12 of the Safeguards Agreement, which spans two pages and contains 11 paragraphs.²⁶

28. By contrast, the US panel request in this dispute lists 17 specific provisions of the TRIPS Agreement and two specific provisions of the GATT 1994. Where an article consisted of more than one paragraph, the US panel request specifically identified the particular paragraph number.²⁷ Generally, each of these paragraphs consists of a single obligation. Unlike in the case of *Korea Dairy*, there are no circumstances in this dispute that would render citation to the relevant specific provision of the WTO agreement insufficient under Article 6.2.

2. Narrative description

29. Moreover, the US panel request does not rest solely on specific citation to particular WTO obligations. It also includes a brief narrative description of the legal basis for the complaint, adding clarity to the summary. For instance, it summarizes that, in the view of the United States, Regulation 2081/92 does not provide national or most favored nation treatment to goods or nationals of other WTO Members, and that Regulation 2081/92 diminishes legal protection for trademarks (with a specific illustrative reference to the right to prevent confusing uses of an identical or similar sign and adequate protection against invalidation). It also states, as a brief summary of the legal basis of the complaint, in conjunction with specifically cited WTO agreement provisions, that Regulation 2081/92 does not provide the legal means for interested parties to prevent the misleading use of a geographical indication, defines geographical indications in a manner inconsistent with the TRIPS Agreement, is not sufficiently transparent, and does not provide for adequate enforcement procedures. Contrary to the EC's argument at paragraph 42 of its request, there is no requirement under Article 6.2 that each

²⁴ E.g., *EC Bananas*, para. 141; *Korea Dairy*, para 124.

²⁵ *Korea Dairy*, para. 124, cited in EC Request, para. 36. The EC's conclusion, at paragraph 37, that identification of the treaty provisions "is a necessary, but not sufficient condition under Article 6.2 DSU" (emphasis in original) is a patently incorrect reading of *Korea Dairy*.

²⁶ *Korea Dairy*, para. 124.

²⁷ Except for GATT 1994 Article I, which consists of one paragraph followed by several exceptions.

part of the narrative be specifically linked to particular WTO provisions, nor does the EC point to any disputes in which this was required.

30. As stated above, the citation to specific WTO obligations in the US panel request is sufficient to summarize the legal basis for the complaint under Article 6.2. The narrative is an additional description of the legal basis. Therefore, there is no legitimate foundation in this dispute for the EC to assert that the US panel request violated the second prong of Article 6.2.

3. Attendant circumstances

31. In addition to (1) the specific citation to WTO obligations, which alone is a sufficient summary of the legal basis of the complaint, and (2) the narrative description, which additionally describes the legal basis, the attendant circumstances surrounding this panel request make clear that the panel request's summary of the legal basis of the complaint is sufficient and presents the problem clearly. The Appellate Body, in *Korea Dairy*, clarified that the sufficiency of the panel request can be judged in light of these circumstances.²⁸

32. There is a long history of consultations in this dispute. The United States requested formal consultations on June 1, 1999, and the first set of consultations was held almost five years ago, on July 9, 1999, and continued through the last set of formal consultations on May 27, 2003. As noted earlier, and as set forth in further detail below, as a result of these consultations it is abundantly clear that the EC understands the legal basis of the US complaint.

B. THE EC'S REAL CRITICISM OF THE US PANEL REQUEST IS THAT IT DOES NOT SET FORTH THE US ARGUMENTS, WHICH IS NOT REQUIRED BY ARTICLE 6.2

33. Previous panels and the Appellate Body have been very careful to distinguish between the claims that must be made in a panel request under Article 6.2 -- *i.e.*, the brief summary of the legal *basis* for the complaint sufficient to present the problem clearly -- and the *arguments* supporting those claims. The claims must be set forth in the panel request. The arguments do not. As the Appellate Body stated in *EC Bananas*:

We accept the Panel's view that it was sufficient for the Complaining Parties to list the provisions of the specific agreements alleged to have been violated without setting out detailed arguments as to which specific aspects of the measures at issue relate to which specific provisions of those agreements. In our view, there is a significant difference between the *claims* identified in the request for the establishment of a panel, which establish the panel's terms of reference under Article 7 of the DSU, and the *arguments* supporting those claims, which are set out and progressively clarified in the first written submissions, the rebuttal submissions and the first and second panel meetings with the parties.²⁹

34. In this dispute, the EC is not faulting the United States for failing to set out the legal *basis* for the complaint. It is faulting the United States, incorrectly, for not including its *arguments* in support of that basis.³⁰

²⁸ *Korea Dairy*, para. 124.

²⁹ *EC Bananas*, para. 141.

³⁰ In criticizing the specificity of the "measures" under Article 6.2, the EC argues incorrectly that the lack of citation to individual provisions of Regulation 2081/92 "does not permit the EC to understand which specific aspects among those covered by Regulation 2081/92 the complainants intend to raise . . ." EC Request, para. 22 (emphasis added). Article 6.2 requires an identification of the specific measures at issue; it does not require identification of the specific "aspect" of the measures. In fact, the EC's argument appears to be

35. With respect to national treatment, for example, the EC complains that the US panel request does not specify which provision or aspect of Regulation 2081/92 violates the EC's national treatment obligations, and "in which way such a violation is deemed to occur."³¹ This is precisely what the Appellate Body in *EC Bananas* found was not required. The United States will lay out in detail the specific ways in which Regulation 2081/92 fails to provide national treatment to non-EC nationals and non-EC goods, but will do so in its submissions, as part of its arguments supporting the claim that Regulation 2081/92 denies national treatment to non-EC nationals and goods.³²

36. In other words, the legal basis for the complaint, made clear in the US panel request, is that the EC's regulation for the protection of certain geographical indications is inconsistent with specific national treatment obligations in the TRIPS Agreement, the Paris Convention, and the GATT 1994. The detailed arguments as to how specific aspects of Regulation 2081/02 are inconsistent with these obligations will be the subject of the arguments to be presented in future US submissions.

37. Similarly, with respect to MFN treatment, the EC complains that the panel request does not specify which provision of Regulation 2081/92 violates MFN obligations, how such a violation occurs, which WTO Members are being denied favorable treatment, what this more favorable treatment is, and how it is conferred. Such detailed explanations and argumentation clearly go beyond the requirements for a brief summary of the legal basis for the complaint pursuant to Article 6.2, and instead fall squarely into the category of arguments in support of the claim that the regulation does not provide most favored nation treatment with respect to goods and nationals of WTO Members.³³

38. With respect to "legal protection for trademarks," the EC acknowledges that Regulation 2081/92 addresses the issue of conflicts between trademarks and geographical indications in three paragraphs of Article 14, and in Article 7(4), all of which can and do have significant negative implications for trademark rights provided for under the TRIPS Agreement.³⁴ The EC further claims that Regulation 2081/92 provides "specific solutions" to the various conflicts between trademarks and geographical indications.³⁵ By engaging in the substance of the US claims in such detail in its preliminary ruling request, it is obvious that the US summary of the legal basis of the complaint was

confusing the Article 6.2 requirement that the measures be identified with the requirement that the legal basis be summarized (*i.e.*, the claims). Even with respect to the claims, however, the Appellate Body specifically rejected this argument in the paragraph of *EC Bananas* quoted above. This issue is discussed in further detail in this section, but suffice it to say that the EC cannot fairly claim to be in the dark about what aspects of Regulation 2081/92 are at issue. *See, e.g.*, footnote 32 below.

³¹ EC Request, para. 44.

³² The claims are clear from the US panel request. But, in addition, the EC cannot fairly claim to be unaware of the problem presented, in light of the long history of consultations. For instance, several of the questions put to the EC in consultations question why non-EC nationals cannot register their own geographical indications for originating products, and why they are faced with various problematic provisions in Regulation 2081/92 that do not apply to EC nationals. *See, e.g.*, May 19, 2004, Consultation Questions, questions 7-25 (Exhibit US-3); indeed, the EC Request itself attaches, as EC Exhibits 2 and 3, the minutes of the DSB meetings in which the United States described some of the specific problems with Regulation 2081/92, including with respect to national and most favored nation treatment, among other issues. EC Exhibit 2, para. 72; EC Exhibit 3, paras. 28 and 29.

³³ With respect to this issue, too, the EC cannot fairly claim to be in the dark. Several questions were raised in consultations about why nationals and products of some WTO Members -- *i.e.*, those that have a system of geographical indication protection that is equivalent to the EC system -- have rights and receive protections that other WTO Members do not. *See, e.g.*, May 19, 2004, Consultation Questions, questions 7-25 (Exhibit US-3); EC Exhibit 2, para. 72; EC Exhibit 3, paras. 28-29.

³⁴ EC Request, paras 46-48.

³⁵ Yet it is these "solutions", among other things, that are at issue, particularly in light of the exclusive right of the registered trademark holder, under Article 16.1 of the TRIPS Agreement, to prevent the use of an identical or similar sign that is likely to confuse.

sufficient to present the problem clearly.³⁶ The EC's desire to "understand which specific problems the United States wishes to raise" is a request for argumentation that is appropriate for the first submission, but not for a panel request, a point that the EC has itself noted in other disputes.³⁷

39. With respect to Regulation 2081/92's failure to "provide legal means for interested parties to prevent the misleading use of a geographical indication," the EC claims that Regulation 2081/92 contains detailed provisions regarding the protection of registered geographical indications that do provide such means. Again, the EC is interested in engaging in argumentation regarding the US claims, prior to the US first submission. And again, that the United States did not provide such argumentation in its panel request is not a violation of Article 6.2.

40. With respect to the differences between Regulation 2081/92's definition of "geographical indication" and that in the TRIPS Agreement, the EC is disingenuous to argue that the United States does not explain the differences between the two definitions. The TRIPS Agreement definition is in Article 22.1 of the TRIPS Agreement; the Regulation definition is in Article 2.2(b) of Regulation 2081. The differences between them are obvious, and speak for themselves. As for the nature of the breach, this is properly a subject for arguments in the submissions of the parties. Again, however, it is disingenuous for the EC to argue that it does not understand the US claim. As the United States explained to the EC during consultations, the TRIPS Agreement contains obligations to protect geographical indications, as defined in the TRIPS Agreement, yet Regulation 2081/92, which is how "Community protection of ... geographical indications of agricultural products and food stuffs shall be obtained", offers protection to an apparently different category of geographical indications. Differences in coverage therefore raise obvious questions of consistency with TRIPS Agreement obligations.³⁸

41. The EC arguments with respect to transparency and enforcement procedures suffer from the same defects: the EC is attempting to engage in argumentation on the substance of the claims -- for instance, asserting that Regulation 2081/92 is transparent, and faulting the United States for not detailing how it is not transparent -- instead of trying to make out a case that the legal basis is not sufficiently summarized.

42. The above are examples of how the EC, in alleging that the US panel request does not "provide a brief summary of the legal basis of the complaint sufficient to present the problem clearly", is in fact arguing that the United States has not adequately set out its *arguments* in support of those claims. It is clear from the face of the panel request, particularly in light of the attendant circumstances of the consultations, that the US panel request does provide a sufficient brief summary of the legal basis of the complaint that presents the problem clearly.

³⁶ Note also the detailed discussions that occurred on this subject at the consultations. See, e.g., May 19, 2004, Consultation Questions, "Article 14 -- Exclusivity of Trademarks", questions 29-36, and "Article 13", questions 27 - 28 (Exhibit US-3).

³⁷ In *United States Gambling*, the EC itself criticized the US request for an Article 6.2 preliminary ruling in its October 24, 2003, comments, arguing at paragraph 16 that the issue raised by the United States "was strictly connected with the substance of the case, which is legally and factually rather complex" and, therefore, "not suited for adjudication through a summary preliminary ruling proceeding brought under article 6.2 of the DSU." Further, the EC criticized Korea's preliminary ruling request in *Korea -- Measures Affecting Trade in Commercial Vessels*, WT/DS273, characterizing Korea's objections to the panel request as "an ill-fated attempt to have the Panel make findings on substantive legal issues that should be at issue during the regular Panel phase, not at the preliminary stage."

³⁸ See, e.g., May 19, 2004, Consultation Questions, "Definition of GIs", questions 4 - 6 (Exhibit US-3).

VI. THE US PANEL REQUEST DOES NOT PREJUDICE THE ABILITY OF THE EC TO DEFEND ITSELF

43. The EC argues that the Appellate Body has "attached importance" to the question of whether a responding Party has suffered prejudice as a result of any deficiencies with respect to Article 6.2. More to the point, however, in *Korea Dairy*, the Appellate Body denied Korea's Article 6.2 claim *in toto* because, although it had asserted prejudice, Korea offered no supporting particulars.³⁹

44. The EC's argument that it is prejudiced by the US panel request is nothing more than a restatement of its argument, refuted above, that the request is insufficiently detailed with respect to actual arguments to support the legal basis of the complaint. In light of the Appellate Body's reasoning in *Korea Dairy*, such a mere restatement is plainly insufficient to establish prejudice. If lack of detail in the panel request automatically meant "prejudice", there would be no need for a "prejudice" analysis. Even if the EC had succeeded in demonstrating that the US panel request does not meet the requirements of DSU Article 6.2, which it has not, the EC has offered nothing to suggest that it has been prejudiced.

45. The EC argues, at paragraph 71, that the United States made a similar "prejudice" argument in *US Lamb*,⁴⁰ and states that the same standard should be applied in the present case.⁴¹ Of course, if this Panel does adopt the same standard as in the *US Lamb* dispute, it will reject the EC's request, consistent with the *US Lamb* panel's rejection of the US argument and its finding that the panel request in *US Lamb* was consistent with Article 6.2.⁴²

46. The EC speculates, at paragraph 73 of its request, that either both co-complainants are conspiring to leave the EC in the dark, or both are unsure of the case they are intending to bring. The truth is more mundane: Article 6.2 requires only a brief summary of the legal *basis* for the complaint sufficient to present the problem clearly. It does not, as explained above, require a preview of the *arguments* that will be submitted later during the course of the panel proceedings.

VII. CONCLUSION

47. For the reasons stated above, the EC's arguments in support of its request for a preliminary ruling that the US panel request does not meet the requirements of Article 6.2 are without merit. Accordingly, the Panel should reject that request.

³⁹ *Korea Dairy*, para 131.

⁴⁰ Report of the Panel, *United States – Safeguard Measures on Imports of Fresh, Chilled or Frozen Lamb Meat from New Zealand and Australia*, WT/DS178/R, adopted May 16, 2001 ("US Lamb").

⁴¹ EC Request, para. 72.

⁴² *US Lamb*, para. 5.53.

ANNEX A-2**FIRST WRITTEN SUBMISSION OF THE UNITED STATES**

(23 April 2004)

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TABLE OF REPORTS

Short Form	Full Citation
<i>Belgian Family Allowances</i>	GATT Panel Report, <i>Belgian Family Allowances</i> , BISD 1S/59, adopted 7 November 1953.
<i>Canada – Patent Term</i>	Panel Report, <i>Canada – Term of Patent Protection</i> , WT/DS170/R, adopted 12 October 2000.
<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.
<i>Canada – Autos</i>	Appellate Body Report, <i>Canada – Certain Measures Affecting the Automotive Industry</i> , WT/DS139/AB/R, WT/DS142/AB/R, adopted 19 June 2000.
<i>Chile – Alcohol</i>	Panel Report, <i>Chile – Taxes on Alcoholic Beverages</i> , WT/DS87/R, WT/DS110/R, adopted 12 January 2000, as modified by the Appellate Body Report.
<i>Chile – Alcohol</i>	Appellate Body Report, <i>Chile – Taxes on Alcoholic Beverages</i> , WT/DS87/AB/R, WT/DS110/AB/R, adopted 12 January 2000.
<i>EC – Asbestos</i>	Appellate Body Report, <i>EC – Measures Affecting Asbestos and Asbestos Containing Products</i> , WT/DS135/AB/R, adopted 16 April 2001.
<i>EEC – Parts and Components</i>	GATT Panel Report, <i>EEC – Regulations on Imports of Parts and Components</i> , BISD 37S/132, adopted 16 May 1990.
<i>EC – Sardines</i>	Appellate Body Report, <i>EC – Trade Description of Sardines</i> , WT/DS231/AB/R, adopted 23 October 2003.
<i>India – Autos</i>	Panel Report, <i>India – Measures Affecting the Automotive Sector</i> , WT/DS/146/R, WT/DS175/R, adopted 5 April 2002.
<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, adopted 23 July 1998.
<i>Italian Agricultural Machinery</i>	GATT Panel Report, <i>Italian Discrimination Against Imported Agricultural Machinery</i> , L/833 BISD, 7S/60, adopted 23 October, 1958.
<i>Japan – Alcohol</i>	Appellate Body Report, <i>Japan – Taxes on Alcoholic Beverages</i> , WT/DS8/AB/R, WT/DS10/AB/R, adopted 1 November, 1996.
<i>Korea – Alcohol</i>	Appellate Body Report, <i>Korea – Taxes on Alcoholic Beverages</i> , WT/DS75/AB/R, WT/DS84/AB/R, adopted 17 February 1999.
<i>Korea – 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 – FSC (Article 21.5 – EC)</i>	Panel Report, <i>United States – Tax Treatment for “Foreign Sales Corporations” – Recourse to Article 21.5 of the DSU by the European Communities</i> , WT/DS108/RW, adopted 19 January 2002.
<i>US – Malt Beverages</i>	GATT Panel Report, <i>United States – Measures Affecting Alcoholic and Malt Beverages</i> , DS23/R, BISD 39S/206, adopted 19 June 1992.
<i>US – Section 211</i>	Panel Report, <i>United States – Section 211 Omnibus Appropriations Act of 1998</i> , WT/DS176/R, adopted 1 February 2002, as modified by the Appellate Body Report.
<i>US – Section 211</i>	Appellate Body Report, <i>United States – Section 211 Omnibus Appropriations Act of 1998</i> , WT/DS176/AB/R, adopted 1 February 2002.
<i>US – Section 337</i>	GATT Panel Report, <i>United States – Section 337 of the Tariff Act of 1930</i> , BISD 36S/345, adopted 7 November 1989.

I. INTRODUCTION

1. The EC's Geographical Indications ("GI") Regulation¹ sets up a regime for the protection of geographical indications in order to realize and maximize what it considers to be substantial benefits for those producing and selling qualified agricultural products and foodstuffs in the EC. Unfortunately, the Regulation suffers from significant defects. First, while making these benefits easily available to EC nationals and products, it erects very significant – indeed, nearly insurmountable – barriers against many non-EC nationals and products.
2. Second, and importantly for all owners of registered trademarks – both US and European – the GI Regulation grants this protection at the expense of trademark rights that the EC is specifically obliged to guarantee under the TRIPS Agreement.²
3. The EC must, under the TRIPS Agreement, offer certain protections for geographical indications. It is not, however, permitted to do so in a manner that discriminates against non-EC nationals and products, nor is it permitted to do so at the expense of its TRIPS Agreement obligations with respect to trademarks.
4. This submission details how the EC's GI Regulation is inconsistent with the TRIPS Agreement and the GATT 1994³ because of its discrimination against non-EC nationals and products. It is inconsistent with the national treatment obligations of the TRIPS Agreement and the Paris Convention,⁴ both of which require national treatment as to "nationals" of other WTO Members. It is also inconsistent with the national treatment obligations of the GATT 1994 with respect to products from other WTO Members. Further, the GI Regulation is inconsistent with the obligation to provide most favored nation ("MFN") treatment with respect to nationals of other WTO Members, under the TRIPS Agreement, and with respect to products of other WTO Members, under the GATT 1994.
5. Next, and directly contrary to the express obligations of the TRIPS Agreement with respect to trademarks, the EC's GI Regulation denies the owner of a registered trademark his exclusive right to prevent all third parties from using similar or identical signs for goods or services that are identical or similar to those covered by the trademark registration – including geographical indications – where such use would result in a likelihood of confusion. For example, the owner of a registered trademark must, under the TRIPS Agreement, be able to take action against another producer selling an identical product, labeled with an identical name (protected as a geographical indication after the trademark registration), on the same shelf as the trademarked product. That owner cannot take such action under the EC GI Regulation.
6. Finally, as detailed further below, the EC GI Regulation fails to provide interested parties with the legal means to protect their geographical indications, as required by the TRIPS Agreement.

¹ i.e., the measure at issue in this dispute: Council Regulation (EEC) No. 2081/92 of July 14, 1992 on the protection of geographical indications and designations of origin for agricultural products and foodstuffs, as amended, and its related implementing and enforcement measures. In this submission, references to the "GI Regulation" or the "EC GI Regulation" are references to this measure, which includes both Regulation 2081 and its related implementing and enforcement measures. References to particular articles of the GI Regulation are references to Regulation 2081/92 itself, as most recently amended, provided as Exhibit COMP-1.b.

² *Agreement on Trade-Related Aspects of Intellectual Property Rights.*

³ *General Agreement on Tariffs and Trade (1994).*

⁴ *Paris Convention for the Protection of Industrial Property*, done at Paris, March 20, 1883, as revised at Brussels, December 14, 1990, at Washington, June 2, 1911, at The Hague, November 6, 1925, at London, June 2, 1934, at Lisbon, October 31, 1958, and at Stockholm, July 14, 1967. References to the Paris Convention are, unless otherwise indicated, to the Stockholm Act of this Convention (1967). The Paris Convention Article 2 national treatment obligation is incorporated into the TRIPS Agreement by Article 2.1 of the TRIPS Agreement.

7. Consequently, the EC GI Regulation is also inconsistent with obligations under the TRIPS Agreement to enforce intellectual property rights.

II. PROCEDURAL HISTORY

8. On June 1, 1999, the United States requested consultations with the EC, pursuant to Article 4 of the DSU⁵ and Article 64 of the TRIPS Agreement regarding the GI Regulation.⁶ Consultations were held on July 9, 1999, and thereafter, but failed to resolve the dispute.

9. On April 4, 2003, the United States supplemented its request for consultations with a request for additional consultations with the EC pursuant to Article 4 of the DSU, Article 64 of the TRIPS Agreement, and Article XXII of the GATT 1994.⁷ The Government of Australia also requested consultations with the EC, and joint consultations were held on May 27, 2003, which also failed to resolve the dispute. Consequently, on August 18, 2003, the United States requested the establishment of a panel, with standard terms of reference.⁸ Australia also filed a request for the establishment of a panel, with standard terms of reference, on the same day.⁹ At the meeting of the WTO Dispute Settlement Body ("DSB") on October 2, 2003, the DSB established a single panel pursuant to Article 9.1 of the DSU, with standard terms of reference, to examine the US and Australian complaints.¹⁰

10. The panel was composed on February 23, 2004.¹¹

11. On March 3, 2004, the EC requested that the Panel issue separate panel reports with respect to the complaints filed by Australia and the United States, pursuant to Article 9.2 of the DSU. On April 23, 2004, the Panel confirmed that it would submit separate reports on this dispute.

III. FACTS

12. The EC GI Regulation lays down the rules for the protection of geographical indications of agricultural products and foodstuffs intended for human consumption throughout the member States of the EC.¹² It provides, in Article 2(1), that Community protection for geographical indications of agricultural products and foodstuffs shall be obtained in accordance with the Regulation, and establishes a comprehensive system for the registration and protection of GIs, as well as for objecting to the registration of GIs.

13. According to its preamble, the GI Regulation is a response to a consumer market that is increasingly willing to pay premium prices for agricultural products and foodstuffs with an identifiable geographic origin. For those producers able to register such designations of origin at the member State level, according to the preamble, this enables producers of qualifying products to secure higher incomes. The EC GI Regulation recognizes this benefit for qualifying products and producers and extends this benefit in a uniform manner throughout the EC.

⁵ *Understanding on Rules and Procedures Governing the Settlement of Disputes*.

⁶ WT/DS174/1 (June 1, 1999).

⁷ WT/DS174/1/Add.1 (April 4, 2003).

⁸ WT/DS174/20 (August 19, 2003).

⁹ WT/DS290/18 (August 19, 2003).

¹⁰ *Dispute Settlement Body: Minutes of Meeting Held on 2 October 2003*, WT/DSB/M/156, circulated November 10, 2003, para. 33.

¹¹ WT/DS174/21; WT/DS290/19 (February 24, 2004).

¹² Article 1(1) of the GI Regulation. Exhibit COMP 1.b. To avoid confusion, this submission will refer to countries that are part of the European Communities as "member States", as distinguished from WTO Members.

14. Under the GI Regulation, a geographical indication is defined as the name of a region, a specific place or, in exceptional cases, a country, used to describe an agricultural product or a foodstuff:

- (a) originating in that region, specific place or country, and
- (b) which possesses a specific quality, reputation, or other characteristics attributable to that geographic origin and the production and/or processing and/or preparation of which take place in the defined geographical area.¹³

15. In order to use a protected geographic indication, a product must comply with the relevant specification, as provided for in Article 4(2) of the GI Regulation.¹⁴

Registration

16. Under Article 5 of the GI Regulation, a person or a group of producers and processors may apply for a geographical indication – *i.e.*, a qualifying "name" – with respect to the products which they "produce or obtain" by sending the application to "the Member State in which the geographical area is located."

17. Thus, under Article 5, only persons or groups producing or obtaining products in the EC may file an application for a GI registration, and only products "produced or obtained" in the EC may be the subject of the registration.

18. The application must be accompanied by a "product specification" that includes information, not just on the product itself, but on how it is produced, as well as the details of the government inspection structures in place to ensure compliance with the specifications.¹⁵ To summarize the details provided in Article 4 of the GI Regulation, the product specification must include, at a minimum:

- (a) name of the product, including the GI
- (b) description of the product and its physical, chemical, microbiological and/or organoleptic characteristics
- (c) definition of the geographical area
- (d) evidence that the product originates in the geographical area

¹³ Article 2(2)(b) of the GI Regulation. The GI Regulation also applies to a narrower category of geographical source indications, *i.e.*, "designations of origin", defined in Article 2(2)(b). The distinction between the broader category of "geographical indications" and the narrower category of "designations of origin" is not relevant for purposes of this submission, since the GI Regulation applies equally to both. Therefore, the United States will refer in this submission to both categories collectively as "geographical indications" or "GIs". Further, there are obvious differences between "geographical indications" as defined in the EC GI Regulation and "geographical indications" as defined in the TRIPS Agreement. The use of the same term to describe both in this submission is not meant to imply that the definition in the EC GI Regulation is consistent with the definition in the TRIPS Agreement.

¹⁴ Article 4(1) of the GI Regulation.

¹⁵ Article 4(2) of the GI Regulation.

- (e) description of the method of obtaining the product and information concerning packaging, if the group making the request determines and justifies that the packaging must take place in the geographic area
- (f) details bearing out the link with the geographical environment or origin
- (g) details of inspection structures required by Article 10 of the GI Regulation (Article 10 contains detailed rules concerning inspection structures that the government must maintain in order to register a GI, and requires that any private inspection body approved by a member State must comply with EC standard EN 45011. This standard does not appear to be available from public sources,¹⁶ and the United States is unaware of any "equivalent" standard approved for non-EC countries, referenced in Article 10(3)).
- (h) specific labeling details
- (i) requirements laid down by EC or member State provisions.

19. Under Article 5(5) of the GI Regulation, the EC member State is required to forward the application to the EC Commission, if the application satisfies the requirements of the GI Regulation.

20. After verification that the application for registration meets the formal requirements of the GI Regulation, and assuming the application withstands objections, if any, the geographical indication is entered in the "Register of protected designations of origin and protected geographical indications" maintained by the Commission and published in the Official Journal of the European Communities.¹⁷

21. Article 12(1) states that the GI Regulation "may apply" to agricultural products or foodstuffs from other WTO Members – *i.e.*, producers and processors in another WTO Member may apply to register the GI associated with products in that Member – only if that WTO Member:

- (a) can give guarantees identical or equivalent to those referred to in Article 4 (*i.e.*, with respect to the product specifications and inspection procedures required by the EC);
- (b) has inspection arrangements and a right to objection equivalent to those laid down in the EC GI Regulation for EC GIs; and
- (c) is prepared to provide protection equivalent to that available in the EC to agricultural products and foodstuffs from the EC (*i.e.*, offers reciprocal treatment to EC products).

22. In other words, in order to benefit from the GI Regulation, a WTO Member must adopt a system for GI protection that is equivalent to that in the EC, that is, a system (i) under which the WTO Member can provide guarantees equivalent to those in the GI Regulation that its GI products meet the EC product specifications in Articles 4 and 10 of the GI Regulation, (ii) providing objection rights equivalent to those in the GI Regulation, (iii) providing for internal inspection structures equivalent to those in the EC, and (iv) providing GI protection to EC products that is equivalent to that available in the EC. Further, these conditions require "reciprocity": the EC will register and protect GIs associated with products from another WTO Member only if that WTO Member provides "equivalent" GI protection in its own territory to "corresponding" products from the EC.

¹⁶ The United States tried unsuccessfully to obtain this standard from public sources, although it appears that it may be available for purchase from national members of the European Committee for Standardization. *See, e.g.*, http://www.cenorm.be/cenorm/standards_drafts/index.asp

¹⁷ Article 6(4) of the GI Regulation.

23. Under Article 12(3), upon request of the WTO Member concerned, the EC examines whether a WTO Member satisfies the above conditions "as a result of its national legislation." Only if it does so is registration and protection available in the EC under the GI Regulation for products from that WTO Member.

24. Article 12a sets out application procedures for producers and processors from other WTO Members satisfying these conditions of equivalency and reciprocity. It requires those producers and processors to submit an application to the "authorities" in the relevant WTO Member, and requires the WTO Member, before submitting the application, to "consult" with any EC Member State that has a geographical area or a traditional name connected to that area with the same name as is in the application.¹⁸ It also requires the WTO Member to determine whether the application satisfies the requirements of the GI Regulation. It then requires the WTO Member to describe the basis for protection of the GI in that WTO Member, and declare that it has in place the same inspection structures required of EC member States. Next, the WTO Member is instructed to forward the application and accompanying documentation to the Commission.

25. Article 12(2) requires that any use of a geographical indication in connection with products of other WTO Members can be authorized only if the country of origin "is clearly and visibly indicated on the label."¹⁹ There is no similar requirement with respect to products of EC member States.

Objections

26. "Legitimately concerned" natural or legal persons that reside or are established in a member State of the EC may object to a proposed registration under Article 7(3) of the GI Regulation. Only persons who can demonstrate a "legitimate economic interest", however, are authorized to consult the application.²⁰ Statements of objection are admissible²¹ if they demonstrate that a proposed registration (a) does not qualify for protection pursuant to the Regulation (*e.g.*, for failure to meet the definition of geographical indication in the GI Regulation); (b) would "jeopardize the existence of an entirely or partly identical name or of a mark or the existence of products which have been legally on the market for at least five years" prior to publication of the application; or (c) is of a generic name.²² The person objecting must file the statement of objection with the member State in which that person is resident or established. That member State then may object to the registration within six months of publication of the application.²³

27. By contrast, under Articles 12b and 12d, just as in the case of registration, it appears that persons from another WTO Member can object to an application for GI registration only if that WTO Member satisfies the conditions of equivalency and reciprocity laid down under Article 12. Further, they may not submit their objections directly to an authority in the EC, such as the Commission or even to an EC member State, which is required to evaluate the objections pursuant to the GI Regulation and has a long-established internal mechanism for working with the Commission on these matters. Rather, they must submit their objection to the WTO Member in which they reside or are established, which then is supposed to decide whether to forward the objection to the Commission. In addition, only a person from a third country that has a "legitimate interest" may object to a registration, and only those with a "legitimate economic interest" are authorized to consult the

¹⁸ It is not clear how third country officials become aware that such a situation exists.

¹⁹ It is unclear under the Regulation whether this applies to all third country GIs.

²⁰ Article 7(2) of the GI Regulation.

²¹ It appears from the context of Article 7 of the GI Regulation that this means that the objection is eligible for consideration by the EC Commission.

²² Article 7(4) of the GI Regulation.

²³ Articles 7(1) and 7(2) of the GI Regulation.

application.²⁴ This is in contrast to objections from persons resident or established in an EC member State, who need only be "legitimately concerned."²⁵

Scope of protection

28. The very broad scope of protection for registered geographical indications is set out in Article 13(1) of the GI Regulation, which states that

Registered names shall be protected against the following:

- (a) any direct or indirect commercial use of a name registered in respect of products not covered by the registration in so far as those products are comparable to the products registered under the name or insofar as using the name exploits the reputation of the protected name;
- (b) any misuse, imitation or evocation, even if the true origin of the product is indicated or if the protected name is translated or accompanied by an expression such as 'style', 'type', 'method', 'as produced in', 'imitation' or 'similar';
- (c) any other false or misleading indication as to the provenance, origin, nature or essential qualities of the product, on the inner or outer packaging, advertising material or documents relating to the product concerned, and the packing of the product in a container liable to convey a false impression as to origin;
- (d) any other practice liable to mislead the public as to the true origin of the product.

29. Article 13(2) also provides that protected names may not become generic, *i.e.*, become the "common name" of an agricultural product or foodstuff.²⁶

30. In addition, only products qualified to use a registered GI may include the official EC "GI" symbol or logo on its labels, packaging, and advertising materials.²⁷

31. Finally, Article 14 specifically addresses trademarks in the context of GIs. Article 14(2) provides that if the use of certain prior trademarks "engenders one of the situations indicated in Article 13", they "may continue to be used notwithstanding the registration of" a geographical indication. The GI Regulation fails to provide the owner of a valid prior trademark the right to prevent the use of a GI that results in a likelihood of confusion with respect to the trademark.

²⁴ Article 12d(1) of the GI Regulation.

²⁵ Article 7(3) of the GI Regulation.

²⁶ See Article 3(1) of the GI Regulation.

²⁷ Article 5a of Commission Regulation (EEC) No. 2037/93 of 27 July 1993, laying down detailed rules of application of Council Regulation (EEC) No. 2081/92 on the protection of geographical indications and designations of origin for agricultural products and foodstuffs ("Commission Regulation 2037/93"). Exhibit COMP-2.a.

IV. THE EC GI REGULATION IS INCONSISTENT WITH THE EC'S OBLIGATIONS UNDER THE TRIPS AGREEMENT AND THE GATT 1994

A. THE EC GI REGULATION IS INCONSISTENT WITH THE EC'S OBLIGATIONS TO PROVIDE NATIONAL TREATMENT

32. The EC GI Regulation is inconsistent with two different national treatment obligations under the WTO Agreements. The first is the obligation to provide national treatment with respect to the *nationals* of other WTO Members under Article 3.1 of the TRIPS Agreement, and, through its incorporation by Article 2.1 of the TRIPS Agreement, Article 2 of the Paris Convention. The second is the obligation to provide national treatment with respect to the *products* of other WTO Members, under Article III of the GATT 1994. This section addresses each of these inconsistencies separately below. Section A.1 immediately below addresses the GI Regulation's inconsistencies with the national treatment obligations of the TRIPS Agreement and the Paris Convention. Section A.2 then addresses the GI Regulation's inconsistencies with the national treatment obligations of the GATT 1994.

1. The EC GI Regulation is inconsistent with the EC's national treatment obligations with respect to nationals of other WTO Members under the TRIPS Agreement and the Paris Convention

- (a) The national treatment obligation under the TRIPS Agreement and the Paris Convention
 - (i) *Introduction*

33. The national treatment obligation has been a standard element in intellectual property agreements for over 120 years, dating from 1883, when the Paris Convention was first concluded.²⁸ The Appellate Body called it a "fundamental principle of the world trading system"²⁹ and noted that the framers of the TRIPS Agreement not only incorporated the national treatment obligations of the Paris Convention directly into the TRIPS Agreement, but also saw fit, in addition, to include an additional provision on national treatment in the TRIPS Agreement. "Clearly," the Appellate Body concluded, "this emphasizes the fundamental significance of the obligation of national treatment to their purposes in the TRIPS Agreement."³⁰ The Appellate Body continued:

Indeed, the significance of the national treatment obligation can hardly be overstated. Not only has the national treatment obligation long been a cornerstone of the Paris Convention and other international intellectual property conventions. So, too, has the national treatment obligation long been a cornerstone of the world trading system that is served by the WTO.

As we see it, the national treatment obligation is a fundamental principle underlying the TRIPS Agreement, just as it had been in what is now the GATT 1994.³¹

34. There is a considerable body of GATT and WTO dispute settlement reports that have considered the national treatment obligation in Article III of the GATT 1994. But there has been only one dispute raising the national treatment obligation in the context of the TRIPS Agreement and the

²⁸ See Gervais, Daniel, *The TRIPS Agreement: Drafting History and Analysis*, Sweet & Maxwell (2nd Edition, 2003) , p. 98. Exhibit US-1.

²⁹ Appellate Body Report, *US – Section 211*, para. 233.

³⁰ Appellate Body Report, *US – Section 211*, paras. 239-240.

³¹ Appellate Body Report, *US – Section 211*, paras. 241-242.

Paris Convention.³² Therefore, this dispute represents only the second time that the TRIPS Agreement and Paris Convention obligations with respect to this "fundamental principle of the world trading system" will be clarified.

(ii) *Article 2 of the Paris Convention*

The ordinary meaning of the terms in Article 2 of the Paris Convention

35. Article 2.1 of the TRIPS Agreement directly incorporates many provisions of the Paris Convention, including the national treatment obligation in Article 2 of the Paris Convention:

Nationals of any country of the Union shall, as regards the protection of industrial property, enjoy in all the other countries of the Union the advantages that their respective laws now grant, or may hereafter grant, to nationals; all without prejudice to the rights specifically provided for by this Convention. Consequently, they shall have the same protection as the latter, and the same legal remedy against any infringement of their rights, provided that the conditions and formalities imposed upon nationals are complied with.

36. Article 2(2) of the Paris Convention specifies, in addition, that no requirement of domicile or establishment shall be imposed on nationals of other Members as a prerequisite for the enjoyment of any industrial property right.

37. In the Paris Convention, "industrial property" is understood "in its broadest sense".³³ "Protection of Industrial property", for which Members must provide national treatment, includes, among its "objects", trademarks, indications of source or appellations of origin, and the repression of unfair competition,³⁴ and applies specifically to agricultural industries and all manufactured and natural products.³⁵

38. The protection of "indications of source" is clarified in Article 10 of the Paris Convention, which provides that remedies be made available to "interested parties" against goods bearing false indications as to their source. "Interested party" includes any producer of goods located in the locality falsely indicated as the source (or located in the region where such locality is situated) or any producer located "in the country where the false indication of source is used".³⁶ Similarly, Article 10bis, which addresses unfair competition, requires Members to assure nationals of all other Members effective protection against unfair competition, which includes "indications or allegations the use of which in the course of trade is liable to mislead the public as to the nature, the manufacturing process, the characteristics, the suitability for their purpose, or the quantity, of the goods."

39. Therefore, with respect to the Paris Convention, national treatment "as regards the protection of industrial property" includes national treatment as regards the right of all interested parties, regardless of nationality, to prevent false indications that certain goods come from the region in which those interested parties produce goods or that the goods possess certain characteristics.³⁷ Further, this protection with respect to indications of source and unfair methods of competition is not limited to

³² i.e., US – Section 211.

³³ Article 1(1) of the Paris Convention.

³⁴ Article 1(2) of the Paris Convention.

³⁵ Article 1(3) of the Paris Convention. Examples given include grain, fruit, cattle, mineral waters, beer, flowers, and flour.

³⁶ Article 10(2) of the Paris Convention.

³⁷ See Articles 10 and 10bis(3) of the Paris Convention.

situations in which the region falsely indicated as the source is in the territory in which the false indication is used. Rather, it includes situations where that region – in which interested parties produce goods – is outside that territory (*e.g.*, a region in the territory of another Paris Convention Member).³⁸ It is this protection, which concerns false indications of source and unfair methods of competition in relation to any region in which interested parties are producing goods, that is subject to the national treatment obligation. Of course, a Member may impose substantive and procedural requirements for obtaining this protection on interested parties. But whatever requirements are in place with respect to indications of source and unfair methods of competition, they have to provide the same advantages to non-nationals as they do to nationals.

40. This is clear from the language of the national treatment obligation itself, in Article 2(1) of the Paris Convention, which provides that, as regards the protection of indications of source and unfair competition, among other industrial property:

Nationals of any country of the Union shall ... enjoy in all the other countries of the Union the advantages that their respective laws now grant, or may hereafter grant, to nationals ... Consequently, they shall have the same protection as the latter, and the same legal remedy against any infringement of their rights.

41. The ordinary meaning of these terms is that, whatever advantages a Member grants to its own nationals with respect to the industrial property rights at issue, must also be granted to the nationals of other Members. This obligation does not dictate the substance or procedures of a Member's laws on intellectual property. It requires only that, whatever a Member's substantive rules or procedures – such as those of the EC's GI system, with its particular processes – they must result in the same advantages for nationals of other Members.

Relationship between Article 2(1) of the Paris Convention and conditioning national treatment on reciprocity and equivalence

42. The ordinary meaning of the national treatment obligation speaks for itself: a Member cannot deny to other nationals advantages that it grants to its own nationals with respect to indications of source and unfair competition. However, there are two specific concerns underlying this obligation that are relevant to this dispute. First is the concern that "reciprocity" must not be a condition for protecting the industrial property of other Members' nationals: a Member must treat nationals of other Members at least as well as it treats its own, regardless of the treatment accorded by the other Members to their own or other nationals.³⁹ The second is that a Member may not require that other Members adopt particular substantive or procedural rules as a condition for protecting the intellectual property rights of the nationals of those Members (*i.e.*, "equivalence").⁴⁰

³⁸ Article 10 of the Paris Convention defines "interested parties" as including both producers in the locality falsely indicated as the source, and those in the country where the false indication of source is used.

³⁹ See, *e.g.*, Bodenhausen, G.H.C., *Guide to the Application of the Paris Convention for the Protection of Industrial Property*, United International Bureau for the Protection of Intellectual Property (BIRPI) (1969) (reprinted (World Intellectual Property Organization) 1991), p. 12 (citing "the very important basic rule of the Convention", a principle which means that each Member must apply to nationals of other Members "the same treatment as it gives to its own nationals, without being allowed to require reciprocity." Emphasis in original.) Exhibit US-2.

⁴⁰ The importance of these conclusions was made clear at the very first negotiating session for the Paris Convention in 1880, where the concept of national treatment in intellectual property rights was born. In the welcoming remarks for that first session, the French Minister for Agriculture and Commerce stated that the Conference could not achieve a complete international treaty of industrial property because of the difficulty of unifying national laws. He concluded that the Conference should, therefore, strive to find the means to constitute a union which, without encroaching on domestic legislation, would assure national treatment and lay down a number of uniform general principles. *Actes de Paris*, 1880, pp. 14 - 17, at p. 16 (emphasis added). Exhibit

(iii) Article 3.1 of the TRIPS Agreement

43. As the Appellate Body recently noted, the importance of national treatment in the TRIPS Agreement is reflected in the fact that the framers of the WTO Agreement not only incorporated the long-standing national treatment obligation in the Paris Convention directly into the TRIPS Agreement, but they also added additional TRIPS Agreement-specific provisions that build on the Paris Convention national treatment obligations.⁴¹

44. Article 3.1 of the TRIPS Agreement requires a WTO Member to "accord to the nationals of other Members treatment no less favourable than that it accords to its own nationals with regard to the protection of intellectual property."⁴² In that provision, "the term intellectual property refers to all categories of intellectual property that are the subject of Sections 1 through 7 of Part II"⁴³ of the TRIPS Agreement, which includes the categories "trademarks" (section 2) and "geographical indications" (section 3). "Protection" is broad in meaning, and includes "matters affecting the availability, acquisition, scope, maintenance and enforcement of intellectual property rights as well as those matters affecting the use of intellectual property rights specifically addressed in this Agreement."⁴⁴ The ordinary meaning of Article 3.1, therefore, signifies a broad obligation for the EC to accord non-EC nationals no less favorable treatment than it accords its own nationals with respect to the availability, acquisition, scope, maintenance and enforcement of rights in geographical indications, as well as to those matters affecting the use of geographical indications that are the subject of the TRIPS Agreement.

45. Under the TRIPS Agreement, these rights include the right, with respect to geographical indications, for "interested parties" to have the legal means to prevent the use of designations on a good that mislead the public as to the geographic origin of the good. Similarly to the Paris Convention, this includes the right of all interested parties, regardless of nationality, to prevent uses in *one* Member that, *inter alia*, mislead the public into thinking that a good comes from the geographic region of the interested parties in *another* Member. This reading is reinforced by the definition of "geographical indications" in the TRIPS Agreement as "indications which identify a good as originating in the territory of a Member, or a region or locality in that territory . . .". Therefore, the national treatment obligation under the TRIPS Agreement is that, whatever treatment a Member accords to its own nationals with respect to the rights in geographical indications, it must accord treatment at least as favorable to nationals of other WTO Members. This does not necessarily dictate how a Member provides for geographical indication protection, and does not prevent a Member from imposing substantive and procedural rules with respect to that protection. However, it does require

US-3. In the negotiations on the national treatment provision, the French negotiator who had prepared the initial draft emphasized that, in order to be acceptable, the convention would have to respect the internal legislation of all contracting parties to the extent possible, and to restrict it to an obligation to extend national treatment to foreigners. *Actes de Paris*, 1880, pp. 33 (emphasis added). Exhibit US-3. In the course of that discussion, the national treatment obligation was clarified by the deletion of the word "reciproquement" from the original draft. *Id.*, pp. 39-45. Exhibit US-3. And indeed, in subsequent revisions to this provision, several proposals to include a reciprocity element in the obligation found no support and were withdrawn. For instance, a proposal by the United States to provide for the right to impose upon nationals of the other countries the fulfillment of conditions imposed on its nationals by those countries found no support and was withdrawn. *Actes de La Haye*, 1925, pp. 413-415 (First Sub-Committee). Exhibit US-4.

⁴¹ Appellate Body Report, *US – Section 211*, paras. 239-240.

⁴² Footnote omitted.

⁴³ Article 1.2 of the TRIPS Agreement.

⁴⁴ Article 3, fn. 3, of the TRIPS Agreement.

that, whatever those rules are, they do not result in less favorable treatment of other Members' nationals.⁴⁵

46. As in the case of the Paris Convention national treatment obligation, implicit in the TRIPS Agreement national treatment obligation is a prohibition on conditioning the treatment of other Members' nationals on reciprocity or on other Members having a specific domestic regime of protection. Indeed, the national treatment obligation is a recognition that, despite the many substantive and procedural obligations in the TRIPS Agreement, not all aspects of the protection of intellectual property rights are subject to specific obligations, and that the TRIPS Agreement does not represent or require a complete harmonization of the Members' intellectual property laws. The obligation is that, whatever the rules are for a Member's own nationals, including with respect to aspects not harmonized by the TRIPS Agreement, they must treat other Members' nationals at least as favorably.

47. The context of the TRIPS Agreement national treatment obligation supports this reading. Article 3.1 is in Part I of the TRIPS Agreement, entitled "General Provisions and Basic Principles". The specific obligations with respect to each of the categories of intellectual property are set out in Part II: "Standards Concerning the Availability, Scope and Use of Intellectual Property Rights". But the obligations specific to each of the seven categories of intellectual property in Part II do not cover all procedural and substantive aspects of protecting those intellectual property rights. For this reason, Article 3.1 is a general provision enunciating a basic principle underlying the obligations that follow in Part II that, whatever the rules are with respect to the protection of the seven categories of intellectual property – even with respect to those rules that are not subject to specific obligations – they must not result in treatment for other Members' nationals that is less favorable than that accorded one's own nationals.

48. Further, another "general provision and basic principle" is in Article 1.1, which specifically emphasizes that Members "shall be free to determine the appropriate method of implementing" the TRIPS Agreement. This provision recognizes that there are different ways to implement the obligations of the TRIPS Agreement and that Members are not obligated to select any particular means of implementation over another. Article 1.1 also permits Members to implement more extensive protection than is required by this Agreement, but specifically requires that any such more extensive protection not contravene the provisions of the Agreement. Therefore, whatever means of implementation or extent of protection a Member chooses under the TRIPS Agreement, it must not treat other Members' nationals less favorably than one's own nationals. This safeguard is critical, especially in the area of geographic indications, in which there is an acknowledged wide variety of mechanisms used to implement the obligations.⁴⁶

49. Article 1.1 of the TRIPS Agreement as a whole underscores the conclusion already apparent from the ordinary meaning of Article 3.1 that a Member may not condition protection of GI rights on other Members having an equivalent system of protection: where the TRIPS Agreement itself provides the freedom for Members to determine the appropriate method of implementing its provisions, a particular Member cannot undercut this right by requiring a particular method of implementation as a condition of protecting GI rights. Again, this principle is especially significant in

⁴⁵ Indeed, as stated in its preamble, one object and purpose of the TRIPS Agreement is to provide adequate standards and principles concerning the availability, scope and use of trade-related intellectual property rights. GI rights are particularly "trade-related" to the extent they relate to the protection in one Member's territory of GIs indicating an area in another Member's territory.

⁴⁶ See, e.g., "Document SCT/6/3 Rev. on Geographical Indications: Historical Background, Nature of Rights, Existing Systems for Protection and Obtaining Protection in Other Countries," World Intellectual Property Organization (WIPO) Document SCT/8/4 (April 2, 2002) (Exhibit US-5); "The Definition of Geographical Indications," WIPO Document SCT/9/4 (October 1, 2002) (Exhibit COMP-16).

the area of geographical indications, where there is a wide variety of methods for implementing the TRIPS Agreement obligations.

50. With respect to national treatment in the context of goods, under Article III of the GATT 1994, as one panel noted, determinations as to whether imported "like products" are being discriminated against must be made "in the light of the purpose of Article III, which is to ensure that internal taxes and regulations 'not be applied to imported or domestic products so as to afford protection to domestic production'. The purpose of Article III is not to harmonize the internal taxes and regulations of contracting parties, which differ from country to country."⁴⁷ The same is true for the national treatment provision in the TRIPS Agreement.

51. The underlying principle for the national treatment obligation was illustrated recently in *US – Section 211*. In that dispute, the panel recognized that, although the TRIPS Agreement contained obligations on the kinds of signs that must be eligible to be trademarks, it did not contain obligations with respect to who was the legitimate "owner" of a trademark under domestic law. The particular ownership rules for trademarks – like many substantive and procedural rules on intellectual property – were left to the domestic legislation of the Members. After expressing concern about the potential for abuse through arbitrary national legislation on ownership, the panel noted that the TRIPS Agreement "is not without safeguards against potential abuse", specifically noting that "Articles 3 and 4 of the Agreement require a Member to accord national and most-favoured-nation treatment to the nationals of other Members."⁴⁸ In other words, the panel, affirmed by the Appellate Body, found that the TRIPS Agreement had not harmonized or imposed specific trademark ownership rules, but that the national treatment and most-favored-nation obligations provided the necessary safeguards against abuse in those areas where the TRIPS Agreement did not provide specific obligations.

(iv) *Conclusion with respect to Article 2 of the Paris Convention and Article 3.1 of the TRIPS Agreement*

52. In sum, the right with respect to indications of source, unfair competition, and geographical indications in the Paris Convention and the TRIPS Agreement includes the right of interested parties with respect to designations that mislead the public in a given territory into thinking that a good comes from the region in which the interested party is established and produces goods, and, in the case of geographical indications under the TRIPS Agreement, that the good possesses the qualities, reputation, or other characteristic of products coming from that geographic area. This right applies whether or not the interested party is established and producing goods in the territory of the Member in which the misleading use is occurring. It is this right in geographical indications and indications of source that is subject to the national treatment obligation: whatever requirements a Member has may not result in less favorable treatment for other Members' nationals.

53. Moreover, the EC has an obligation under the TRIPS Agreement and the Paris Convention to treat non-EC nationals at least as well as EC nationals in all matters pertaining to the availability, acquisition, maintenance, and enforcement of rights in both non-EC and EC geographical indications and other types of indications of source, including with respect to the ability of non-EC nationals to register and protect the indications of source and geographical indications of goods they produce in their country of nationality from misleading and unfair uses in the EC. These national treatment provisions prohibit making the availability, acquisition, maintenance, and enforcement of these rights for nationals of other Members contingent on "reciprocity" by other Members. Further, these national treatment provisions prohibit making the availability, acquisition, maintenance, and enforcement of rights for nationals of other Members contingent on those other Members having a particular system of protection themselves. Indeed, especially with respect to geographical indications, where there are

⁴⁷ *US – Malt Beverages*, para. 5.25. Emphasis added.

⁴⁸ Panel Report, *US – Section 211*, para. 8.57.

numerous accepted methods among the WTO Members of offering GI protection, there is no requirement in the TRIPS Agreement that a Member adopt a particular system of GI protection.⁴⁹ Nor can a single Member impose such a requirement as a prerequisite for other Members' nationals to receive protection. A Member cannot, through the selective withholding of rights from another Member's nationals, obtain concessions from other Members that it was unable to achieve at the negotiating table in the TRIPS Agreement. To the contrary, the national treatment obligation is clear: in all matters pertaining, *inter alia*, to the availability, acquisition, enforcement and maintenance of rights in geographical indications located in the territory of WTO Members, non-EC nationals must be accorded treatment at least as favorable as EC nationals.

54. The EC GI Regulation fails flatly to meet this obligation.

55. In sections b and c below, the United States describes in a unitary fashion how the EC GI Regulation is inconsistent with the national treatment obligations of the TRIPS Agreement and the Paris Convention. As discussed above, however, there is a distinction between the relevant rights in the Paris Convention and those in the TRIPS Agreement. "Protection of Industrial property" under the Paris Convention has as its object "indications of source or appellations of origin and the repression of unfair competition", and so requires protection against direct or indirect use of a false indication of geographic source that may, *inter alia*, mislead the consumer as to the characteristics of the goods. The TRIPS Agreement also covers indications of geographic source where they rise to the level of "geographical indication" as defined in Article 22.1 of the TRIPS Agreement – *i.e.*, where "a given quality, reputation, or other characteristic of the good is essentially attributable to that origin." The GI Regulation's rules with respect to geographical indications are also rules with respect to indications of source and unfair methods of competition. As such, they are subject both to the national treatment obligation of the Paris Convention, which requires national treatment with respect to indications of source and unfair methods of competition, and to the national treatment obligation of the TRIPS Agreement, which requires national treatment with respect to GIs in particular.

56. For ease of reading, therefore, in sections b and c below, when reference is made to the national treatment obligation with respect to GIs, it is understood to mean a reference to the TRIPS Agreement national treatment obligation with respect to GIs, as well as the Paris Convention national treatment obligation with respect to designations of origin and unfair competition.

(b) Non-EC nationals are accorded less favorable treatment than EC nationals under the GI Regulation with respect to the registration and protection of geographical indications.

(i) *Introduction*

57. The EC GI Regulation is entirely inconsistent with the national treatment obligations of the Paris Convention and the TRIPS Agreement. Indeed, it specifically conditions GI protection on reciprocity and equivalence, two conditions that the national treatment obligation was specifically intended to prohibit. Further, it runs directly contrary to the freedom that Members have under Article 1.1 of the TRIPS Agreement to determine the appropriate method of implementing the TRIPS Agreement. To summarize the details presented further below, the explicit purpose of the GI Regulation is to bestow numerous significant commercial and competitive advantages on those entitled to register and use geographical indications, including higher profits, a coveted label, the ability to stop others from a wide variety of uses, including the use of words that even "evoke" the geographical indication, broad enforcement in all EC Member States (both by government authorities on their own initiative, as well as by right holders), and guarantees against their registered name becoming generic, among other significant benefits. These advantages are available immediately and

⁴⁹ See, e.g., WIPO Document SCT/8/4 (Exhibit US-5) and WIPO Document SCT/9/4 (Exhibit COMP-16).

uniformly throughout the EC, which the EC itself recognizes is a significant advantage over attempting to seek protection separately under the different laws of each of the EC member States (even assuming that this is possible).

58. Yet these advantages are not made available on the same terms to the nationals of all other Members. EC nationals are permitted to register their home-based EC geographical indications, and obtain all of the considerable competitive advantages touted by the EC, but US nationals (and nationals of most other WTO Members) are currently not able to register their home US geographical indications, and therefore cannot get any of the benefits of EC-wide GI protection summarized above. This is plainly inconsistent with the EC's obligations under the TRIPS Agreement and Paris Convention to treat US and other WTO Member nationals at least as well as EC nationals with respect to the protection of rights in geographical indications.

59. Further, taking the United States as an example, the only way that US nationals might in the future be able to register US-based GIs, and thus obtain the same EC-wide GI protection for their US-based GIs as EC nationals have for their EC-based GIs, is for the United States to (a) reciprocally grant equivalent GI protection for agricultural products and foodstuffs coming from the EC;⁵⁰ and (b) adopt a system for protecting geographical indications that the EC unilaterally decides is equivalent to that in the EC, including equivalent inspection and objection systems. As discussed above, such requirements are directly contrary, not only to the letter of the national treatment obligation, but also to its specific objective of prohibiting the conditioning of national treatment on reciprocity and equivalency. Further, it forces Members to adopt a particular set of rules to implement the TRIPS Agreement, contrary to Article 1.1 of the TRIPS Agreement. Instead of recognizing that there are many different ways to fulfill the TRIPS Agreement obligations on GIs, the EC is in effect telling the United States that its nationals will not be able to register their US-based GIs in the EC and receive EC-wide protection for those GIs – as EC nationals are permitted to do with respect to their EC-based GIs – unless the United States adopts a system for GI protection that the EC judges is equivalent to the EC system. In addition, only if the United States agrees, through this EC-mandated system, to offer reciprocal protection to EC products, will the EC allow US nationals protection with respect to their U.S-based GIs comparable to what EC nationals already receive with respect to their EC-based GIs.

60. These conditions simply cannot stand up in the face of the national treatment obligations of the TRIPS Agreement and the Paris Convention.

(ii) The EC GI Regulation accords less favorable treatment to non-EC Nationals with respect to registration and consequent protection

61. The preamble to the EC GI Regulation specifies that its major objective is to bestow a competitive benefit on producers of products with registered GIs, recognizing that:

- (a) empirically, consumers are tending to attach greater importance to the quality of foodstuffs, generating a growing demand for agricultural products or foodstuffs with an identifiable origin;
- (b) experience in the EC member States has been that agricultural products or foodstuffs with a registered and identifiable origin have proven successful for producers of those products, who have thus been able to secure higher incomes in return for improved quality; and

⁵⁰ Article 12(1) of the GI Regulation.

- (c) in light of the diversity of national practices with respect to registered GIs, a uniform approach will ensure "fair competition between the producers" of registered GI products.

62. The specific advantages bestowed on producers of registered GI products are laid out in the GI Regulation, including:

- (a) The ability to register their GIs in the official EC-wide "Register of protected designations of origin and protected geographical indications".⁵¹
- (b) The right to use the protected geographical indication throughout the EC market on products that qualify for the GI.⁵²
- (c) The right to use an official EC "symbol" or "logo" informing the consumer that the product is a registered GI.⁵³ As the relevant EC regulation explains, "[t]he logo will allow producers of food products to increase awareness of their products among consumers in the European Union... The presence of this logo is a genuine guarantee for all European consumers, making it clear that the special nature of this product lies in its geographical origin. Because of this, products will inspire more confidence. As producers, the logo provides you which [sic] a marketing tool. You will be able to put the logo on the labels or packaging of your products, and also use it in your advertising."⁵⁴
- (d) A broad right to have that registered GI protected throughout the EC, both automatically, at the initiative of government authorities, as well as through private rights of action,⁵⁵ against a broad range of competing and disparaging uses.⁵⁶
- (e) Protection from having the registered GI become generic (which causes the geographic indication to lose its value).⁵⁷

Non-EC National are accorded less favorable treatment with respect to the registration and protection of their non-EC-based GIs than EC nationals are with respect to their EC-based GIs

63. Plainly, the GI Regulation offers significant advantages and favorable treatment to producers of qualifying products with respect to the availability, acquisition, scope, maintenance, and enforcement of rights in GIs, as well as matters affecting the use of GIs. Unfortunately for US producers of quality products from US regions, these considerable advantages with respect to rights in GIs are available only for producers and processors in the EC. Article 5(3) requires that the application for the registration of a GI be "sent to the member State in which the geographical area is located." US producers of quality products from US geographical areas, therefore, cannot even file a registration application, because their GI does not refer to a region in the EC.

⁵¹ Articles 6(1) - 6(4) of the GI Regulation.

⁵² Article 4(1) of the GI Regulation.

⁵³ Article 5a of Commission Regulation 2037/93, p. 5. Exhibit COMP-2.a.

⁵⁴ Annex II of Commission Regulation 2037/93. Exhibit COMP-2.a.

⁵⁵ Review under Article 24.2 of the Application of the Provisions of the Section of the TRIPS Agreement on Geographical Indications, Responses to the Checklist of Questions, Addendum, WTO Council for Trade-Related Aspects of Intellectual Property Rights, IP/C/W/117/Add.10, March 26, 1999 ("Article 24.1 Review"), Responses of the EC to Questions in Document IP/C/B nos. 1, 34, and 35.

⁵⁶ Article 13 of the GI Regulation.

⁵⁷ Article 13(3) of the GI Regulation.

64. The only avenue available to US nationals to apply for GI protection with respect to their US-based GIs is in Article 12, which provides that the GI Regulation may apply to goods from third countries, including WTO Members, but only if that WTO Member satisfies certain conditions. First, that WTO Member must adopt a system for GI protection that is equivalent to that in the EC, that is, a system (i) under which the WTO Member can provide guarantees equivalent to those in the GI Regulation that its GI products meet the EC product specifications in Articles 4 and 10 of the GI Regulation, (ii) providing objection rights equivalent to those in the GI Regulation, (iii) providing for internal inspection structures equivalent to those in the EC,⁵⁸ and (iv) providing GI protection to EC products that is equivalent to that available in the EC. The required inspection structures, described under Article 10 of the GI Regulation, must satisfy numerous specific requirements, including, if private bodies are responsible, compliance with requirements laid down in other European standards.⁵⁹ Second, any such WTO Members must offer reciprocity: the EC will register and protect products from another WTO Member only if that WTO Member is "prepared to provide protection equivalent to that available in the Community to corresponding agricultural products for [sic. "or"] foodstuffs coming from the Community."

65. In other words, a US national is not able to acquire, does not have available to him, and is unable to enforce, the same rights to his US-based GIs as EC nationals have with respect to their EC-based GIs, unless the United States (1) harmonizes its GI protection system to that of the EC (and, therefore drops its current system of protection through the certification and collective mark system and creates two separate GI protection systems, one specific to GIs, the other trademark-based); and (2) offers reciprocity with respect to European products.

66. These requirements of equivalency and reciprocity by a WTO Member as a condition of granting GI rights to nationals of that Member are inconsistent with, and indeed, directly contrary to, the national treatment obligations of the TRIPS Agreement and the Paris Convention.

67. This reading of the national treatment obligation is not unique to geographical indications. For instance, in the area of trademarks, there are, in general, two recognized systems for providing trademark protection among WTO Members. The EC bases trademark ownership on registration; the United States generally bases trademark ownership on use.⁶⁰ The TRIPS Agreement is designed to accommodate both systems, and neither is preferred.⁶¹ Yet the TRIPS Agreement does contain an obligation, in Article 15, to make certain signs eligible for registration as trademarks. It also requires, in Article 16.1, that the owner of a registered trademark be provided with specified exclusive rights to prevent certain uses of similar or identical signs. The EC could not, consistent with its national treatment obligations, withhold from US nationals the ability to register signs or to prevent confusing uses, simply because the US system of trademark protection is different from that of the EC. Nor could it refuse to allow US nationals to register a trademark in the EC or to exercise its trademark rights unless the United States agreed to permit EC nationals to base their US trademark ownership on registration in the United States, rather than use, contrary to the US system of trademark protection. In the area of trademarks, as in the area of geographical indications, the EC simply cannot condition intellectual property protection for a WTO Member's nationals on that WTO Member (1) adopting an EC-equivalent system of protection and (2) offering reciprocal protection to EC products or nationals. As discussed above, both of these conditions on making intellectual property protection available to US nationals – equivalency and reciprocity – are inconsistent with the EC's national

⁵⁸ Article 12(1) of the GI Regulation.

⁵⁹ Article 10 of the GI Regulation.

⁶⁰ E.g., Appellate Body Report, *US – Section 211*, para. 199.

⁶¹ Note, e.g., that Article 16.1, providing rights with respect to registered trademarks, states that those rights shall not "affect the possibility of Members making rights available on the basis of use." See also *US – Section 211*, paras. 188, 199.

treatment obligations. This is as true in the area of geographical indications as it is in area of trademarks.

68. Finally, even if a non-EC national succeeds in registering his home-based GI in the EC, he is still faced with treatment that is less favorable than that accorded his EC national counterpart. Under Article 12(2) of the GI Regulation, a name registered by such a non-EC national will be authorized "only if the country of origin of the product is clearly and visibly indicated on the label." There is no such requirement with respect to the use of name by an EC national with respect to his EC-based GI.

The national treatment obligation in the context of goods is instructive as to the GI Regulation's inconsistency with the national treatment obligations of the TRIPS Agreement and Paris Convention

69. This conclusion is also consistent with a long line of adopted dispute settlement rulings and recommendations with respect to national treatment in the area of goods under the GATT 1994. The Appellate Body noted in *US – Section 211* that the national treatment obligation is a fundamental principle underlying the TRIPS Agreement, just as it was in what is now the GATT 1994.⁶² The Appellate Body noted further that the language of Article 3.1 of the TRIPS Agreement is similar to that of Article III:4 of the GATT 1994, and stated that "the jurisprudence on Article III:4 may be useful in interpreting the national treatment obligation in the TRIPS Agreement."⁶³ Indeed, one object and purpose of the TRIPS Agreement is to establish new rules and disciplines "concerning the applicability of the basic principles of GATT 1994."⁶⁴ As the Appellate Body itself has noted, national treatment is one of these principles.⁶⁵

70. The dispute settlement history under Article III of the GATT 1994 does in fact offer some useful guidance for this dispute. Both the Appellate Body and panels have repeatedly established that "[t]he broad and fundamental purpose of Article III [the national treatment obligation] is to avoid protectionism in the application of tax and regulatory measures"⁶⁶ Of course, the national treatment obligation in the GATT 1994 applies to products and that in the TRIPS Agreement and the Paris Convention applies to nationals. But the general principle is easily extrapolated: the national treatment obligation is intended to avoid protectionism with respect to the protection of intellectual property rights.

71. To this end, in the goods context under Article III, the Appellate Body has stated that it will examine objectively the underlying criteria used in a measure, its structure and its overall application to ascertain whether it is applied in a way that affords protection to domestic products.⁶⁷ According to the Appellate Body, the protective application of a measure "can most often be discerned from the design, the architecture, and the revealing structure of a measure."⁶⁸ In the dispute *Japan – Alcohol*, such factors as the magnitude of dissimilar taxation between a primarily Japanese-produced white spirit, shōju, and a primarily imported white spirit, vodka, was considered evidence of a protective application.

72. Similarly, in the dispute *Korea – Alcohol*, the Appellate Body affirmed the panel's finding of a violation of national treatment in Korea's low taxes on soju and high taxes on other types of alcohol. The Appellate Body noted with approval the Panel's explanation that "[t]here is virtually no imported

⁶² Appellate Body Report, *US – Section 211*, para. 242.

⁶³ Appellate Body Report, *US – Section 211*, para. 242.

⁶⁴ Second paragraph, preamble, TRIPS Agreement.

⁶⁵ Appellate Body Report, *US – Section 211*, para. 242.

⁶⁶ Appellate Body Report, *Japan – Alcohol*, page 16, citing *US – Section 337*.

⁶⁷ Appellate Body Report, *Japan – Alcohol*, page 29.

⁶⁸ *Id.*

soju, so the beneficiaries of this structure are almost exclusively domestic producers.⁶⁹ In other words, the structure of the tax – although the rates were not expressly based on the origin of the product – was such that the high taxes were imposed almost exclusively on imported products.

73. In *Chile – Alcohol*, the Appellate Body found that, even though Chile's tax structure was based on objective criteria – *i.e.*, higher taxes were imposed on beverages with higher alcohol content, and lower taxes on beverages with lower alcohol content – there was a violation of national treatment because the lower tax rate ended at the point where most domestic products were found, and the higher tax rate began at the point where most imports were found.⁷⁰

74. In this dispute, applying the principles found in adopted dispute settlement rulings and recommendations with respect to GATT Article III, the GI Regulation's protective structure is plain. The GI Regulation specifically recognizes the significant advantages it is granting, then systematically denies these advantages to nationals producing in their country of nationality when that country does not adopt EC-style rules and promise reciprocal treatment.

75. Similarly, just as the substantial difference between the tax rates on imported products and domestic products was evidence of the protective nature of the measure in the *Alcohol* disputes, the substantial difference in treatment between EC-based GIs and non-EC-based GIs – one can be registered and protected on an EC-wide basis, and the other cannot – is evidence of the protective nature of the GI Regulation.

76. In addition, the national treatment obligation with respect to goods under Article III of the GATT 1994 has been found to require "treatment of imported products no less favourable than that accorded to the most-favoured domestic products."⁷¹ In this dispute, by analogy, the treatment accorded to the most favored EC nationals is the ability directly to register and protect GI products that they produce or obtain in their country of nationality under Article 5 of the GI Regulation. By contrast, non-EC nationals producing or obtaining products in their country of nationality are faced with additional conditions, under Article 12, amounting to less favorable treatment. It is not relevant that certain EC nationals – *i.e.*, those producing or obtaining products outside the EC – might be faced with these same conditions. Non-EC nationals are entitled, not to the less favorable treatment accorded some EC nationals, but to the treatment accorded the most favored EC nationals. This is the treatment accorded to EC nationals who can register and protect GI products they produce in their country of nationality.

The GI Regulation's TRIPS-inconsistent conditions for permitting the registration and protection of GIs may be viewed as "extra hurdles" faced by non-EC nationals

77. The Appellate Body has been clear that a measure is inconsistent with national treatment if it imposes an "extra hurdle" on non-EC nationals that is not imposed on EC nationals.⁷² As discussed above, the requirements imposed by the GI Regulation on non-EC nationals as a condition of national treatment are not merely an "extra hurdle": they are themselves directly inconsistent with the national treatment obligation. However, they also can be viewed as "extra hurdles" imposed on non-EC nationals, albeit "extra hurdles" that are themselves inconsistent with national treatment.

78. The EC GI Regulation plainly imposes a number of "extra hurdles" on non-EC nationals who wish to have their home-based GIs registered and protected under the GI Regulation and achieve the same protection as is accorded to EC nationals with respect to their EC-based GIs. This registration

⁶⁹ Appellate Body Report, *Korea – Alcohol*, para. 150, citing the panel report, para. 10.101.

⁷⁰ Appellate Body Report, *Chile – Alcohol*, para. 66.

⁷¹ *US – Malt Beverages*, paras. 5.17, 5.33 (emphasis added).

⁷² Appellate Body Report, *US – Section 211*, paras 260-268.

and protection goes to the availability, acquisition, maintenance, and enforcement, among other matters, of GI rights in the EC.

79. Article 22.2 of the TRIPS Agreement requires Members to provide the legal means for interested parties to prevent misleading uses of GIs and any use constituting an act of unfair competition under Article 10bis of the Paris Convention. The GI Regulation does provide the direct legal means for persons established in the EC to apply for registration and have their EC-based GIs protected on an EC-wide basis.⁷³ By contrast, non-EC nationals hoping to have their non-EC based GIs registered and protected face a number of additional hurdles. First, and perhaps most significantly, under Article 12(1) of the GI Regulation, that national would have to convince its government to adopt an EC-equivalent system of GI protection (including extensive inspection systems and the like), to offer reciprocal GI treatment to EC agricultural products and foodstuffs, and to take actions necessary to convince the EC, under Article 12(3), that its GI protection system and offer of reciprocity satisfy the EC's requirements. To achieve protection, the WTO Member would have to actually take all of these steps, with all of the additional time, effort, and expense that this entails. An EC national seeking to register its own EC-based GI does not have to do any of this to register and have protected its GIs on an EC-wide basis.

80. Indeed, as a practical matter, non-EC nationals do not have the legal means to have their non-EC-based GIs registered and protected under the GI Regulation, and do not have any sure way of obtaining those legal means. These interested parties simply are not in a position, either to establish a full EC-style GI system in their home country, or to provide reciprocal treatment.

81. Second, even where this hurdle does not exist – where the EC has determined that the GI protection system of a WTO Member is equivalent to the EC system and where that Member offers reciprocal treatment to EC products – the non-EC national still faces an extra hurdle not faced by EC nationals. Unlike his EC-based counterpart, a non-EC national seeking protection for his home-based GI cannot apply for registration directly to the competent authorities in Europe. Rather, he must petition his government to apply on his behalf. That non-EC Member may have neither the infrastructure nor the inclination to satisfy the stringent EC requirements with respect to that application, which includes an independent analysis of whether the application meets the EC's standards, possible consultations with EC Member States, the development and submission of the legal provisions and the usage on which the GI status is based, a declaration that the full EC-compliant inspection structures exist in that WTO Member, and any other documents on which that Member's assessment was based.⁷⁴

82. In other words, the GI Regulation has in place procedures, directly applicable to EC nationals and member States, under which EC nationals can apply through their member States to the Commission to have their GIs registered and protected on an EC-wide basis. There are no such procedures in place with respect to an application from a non-EC national producing products outside the EC. An EC national has the infrastructure and the regulations in place that allow him to register his EC-based GI directly with his member State. A non-EC national has no such infrastructure or regulations, and must depend on the WTO Member of which he is a national to first put such procedures in place.

83. For these reasons, in addition to those mentioned above, non-EC nationals are not being accorded treatment as favorable as that granted EC nationals under the GI Regulation with respect to the protection of geographical indications, under Article 3.1 of the TRIPS Agreement. And they are not enjoying all the advantages being granted to EC nationals with respect to their indications of source or with respect to unfair competition, under Article 2(1) of the Paris Convention. They

⁷³ E.g., Articles 5 and 6 of the GI Regulation.

⁷⁴ Articles 12(1) and 12(2) of the GI Regulation.

certainly do not have the "same protection" as EC nationals or the "same legal remedy against infringement of their rights" with respect to indications of source or unfair competition.

The EC GI Regulation requires non-EC nationals to become established in the EC as a condition of obtaining GI protection, contrary to Article 2 of the Paris Convention

84. In addition, permitting only GIs located in the EC to be registered and protected is inconsistent with the Paris Convention prohibition on requiring domicile or establishment as a condition of enjoying intellectual property rights. As discussed above, Article 2(1) of the Paris Convention requires Members to permit nationals of other Members to enjoy the advantages "that their respective laws now grant, or may hereafter grant", to their own nationals. Paris Convention Article 2(2) provides, in addition, that the Member where protection is claimed – in this dispute, the EC – may not impose any "requirement as to domicile or establishment" in that Member on nationals of other Members "for the enjoyment of any industrial property rights." As discussed above, "industrial property" is understood broadly under the Paris Convention, and includes indications of source or appellations of origin, including GIs.

85. The EC GI Regulation imposes an obvious requirement of establishment in the EC as a condition of enjoying rights with respect to indications of origin. It may be possible under the GI Regulation for a US national to register and protect a geographical indication located in the EC, even though he cannot, absent the conditions noted above, do so with respect to his US-based GIs. Therefore a US national might be able to register and protect a GI only if he is producing a product that qualifies for that geographical indication in the EC. Further, he can only claim rights under the GI Regulation with respect to products produced in the EC. Therefore, in order to enjoy rights related to indications of source provided for under the GI Regulation, he must produce or obtain agricultural products or foodstuffs in the EC, and to do this he must have some form of investment or business establishment in the territory of the EC. This requirement that he establish himself in the EC as a precondition to obtain protections with respect to indications of source and unfair competition, is directly prohibited by Article 2(2) of the Paris Convention.

86. In sum, the EC GI Regulation accords less favorable treatment to non-EC nationals than to EC nationals with respect to the registration and consequent protection of GIs. It is for this reason, inconsistent with Article 2 of the Paris Convention and Article 3.1 of the TRIPS Agreement.

(c) The EC GI Regulation accords less favorable treatment to non-EC nationals with respect to opportunity to object to the registration of GIs

87. It is not only in the registration of GIs that the GI Regulation is inconsistent with national treatment obligations. The GI Regulation also lays out rules to permit natural or legal persons to object to the registration of a GI.⁷⁵ The ability to object to the registration of a GI falls within the scope of "protection of intellectual property" under Article 3.1 of the TRIPS Agreement and "protection of industrial property" under Article 2(1) of the Paris Convention, with respect to which national treatment must be provided because the ability to object is part of the ability to prevent others from using indications in a way that is misleading as to source. Further, the right to object is necessary to the ability to acquire, maintain, or enforce intellectual property rights and to prevent misleading indications of source.⁷⁶

88. The GI Regulation's provisions with respect to the ability to object to the registration of GIs accord less favorable treatment to non-EC nationals than to EC nationals in several respects.

⁷⁵ Articles 7, and 12b(2) and 12d of the GI Regulation.

⁷⁶ See, e.g., Article 7(4) of the GI Regulation, in which the grounds for objection include where the GI would "jeopardize the existence of an entirely or partly identical name or of a mark" in the EC.

89. First, the provisions for objecting to the registration of GIs mirror those for registering GIs in several respects, and therefore suffer from the same national treatment defects as those described above with respect to registration. For instance, under the GI Regulation, EC nationals can object to a registration directly by submitting their objection to the member State in which they reside or are established.⁷⁷ Under Article 7(3), "[t]he competent authority *shall* take the necessary measures to consider these comments or objections within the deadlines laid down."⁷⁸ The EC member States are then instructed to collaborate in determining how to respond to the objection, or to otherwise refer to the Commission for a final decision.

90. By contrast, non-EC nationals cannot submit their objection directly to the competent authorities in the EC, but must request that their own country transmit the objection.⁷⁹ That country may or may not have an appropriate mechanism to process the objection, and may or may not be inclined to transmit the objection, for its own political or other reasons. By contrast, EC member States have certain obligations under the EC GI Regulation with respect to the processing of objections, and there is an infrastructure in place in the EC to process those objections. As discussed above, the Appellate Body has been clear that a Member's measure is inconsistent with national treatment obligations if it imposes an extra hurdle on other Members' nationals that is not imposed on the Member's own nationals.⁸⁰ This is one of those "extra hurdles" to GI protection that non-EC nationals face, and is, therefore, a violation of national treatment.

91. Further, this additional hurdle also corresponds to a "requirement as to domicile or establishment", which is a prohibited condition for the enjoyment of rights under Article 2(2) of the Paris Convention. EC persons can submit objections to the member State in which they reside or are established, knowing that those objections will be considered in accordance with the GI Regulation. By contrast, persons not resident or established in the EC are not accorded the same or "no less favorable" treatment, simply because they are not resident or established in the EC.

92. Moreover, Article 12d limits the persons who can object to a registration application submitted by an EC member State to persons from "a WTO member country or a third country recognized under the procedure provided for in Article 12(3)" *i.e.*, satisfying the conditions of equivalency and reciprocity described in the previous section. Just as conditioning registration of US-based GIs on equivalency and reciprocity is impermissible under the national treatment obligations of the TRIPS Agreement and the Paris Convention, so, too, is conditioning the right to object to a registration on equivalency and reciprocity. Therefore, the analysis provided in the previous section with respect to registration and EC-wide protection is equally applicable to objections.

93. Finally, the EC GI Regulation allows only non-EC nationals with a "legitimate interest" to object to a GI registration application, and provides further that only those with a "legitimate economic interest" may consult the application for the GI. One of the grounds for objecting to the registration of a name under Article 7(4) is that the registration would jeopardize the existence of an entirely or partly identical name or the existence of products which have been legally on the market for at least five years. Since the GI Regulation grants more favorable treatment to EC nationals than to non-EC nationals with respect to the registration and EC-wide protection of GIs in the first place, EC nationals are similarly more favored than non-EC nationals with respect to the ability to object, because they are in a better position than non-EC nationals to have a "legitimate interest" or a "legitimate economic interest" with respect to competing names in the EC. Non-EC nationals face an extra hurdle with respect to having a name that could be jeopardized by the registration of a GI.

⁷⁷ Article 7(3) of the GI Regulation.

⁷⁸ Emphasis added.

⁷⁹ Articles 12b.2 and 12d.1 of the GI Regulation.

⁸⁰ See, e.g., Appellate Body Report, *US – Section 211*, para. 264; *US – Section 337*, para. 5.19.

94. Further, unlike a non-EC national, who must have a "legitimate interest" or a "legitimate economic interest" in order to object to the registration of a GI, an EC national wishing to object under Article 7(3) of the GI Regulation may do so if he is "legitimately concerned". It would appear that the requirement that one be "legitimately concerned" is a lower standard than the requirement that one have a "legitimate interest", making it easier for an EC national to object to a registration than a non-EC national.

95. For all of these reasons, the GI Regulation's provisions with respect to objections to a GI registration are inconsistent with the national treatment obligations of the TRIPS Agreement and the Paris Convention.

2. The EC GI Regulation is inconsistent with the EC's national treatment obligations with respect to goods of other WTO Members under the GATT 1994

96. Article III:4 of the GATT 1994 requires Members to accord no less favorable treatment to products originating in the territory of other Members than it accords to like products of national origin "with respect to all laws, regulations and requirements affecting their internal sale, offering for sale, purchase, transportation, distribution or use." The Appellate Body has noted that Article III:4 should be interpreted in light of Article III:1, which provides that the Members recognize that these laws, regulations and internal requirements "should not be applied to imported or domestic products so as to afford protection to domestic production." The result, according to the Appellate Body, is that Article III obligates Members "to provide *equality of competitive conditions* for imported products in relation to domestic products."⁸¹ So, as the Appellate Body has concluded in prior disputes, the fundamental question of whether there is a violation of Article III of the GATT 1994 is answered "by examining whether a measure modifies the conditions of competition in the relevant market to the detriment of imported products."⁸²

97. The answer to this question with respect to the EC GI Regulation is a resounding "yes". The EC GI Regulation is primarily intended to permit products that qualify for a registered geographical indication to gain substantial competitive advantages, in terms of prices, profits and market share, over their conventional counterparts that do not so qualify. The EC's motivation behind promulgating the GI Regulation is the strong belief that producers of products accorded GI protection fare much better in the marketplace than producers of products not accorded GI protection, and that restrictions on access to GI status and the provision of EC-wide protection for those GIs will enhance this profitability.⁸³ So, it is flatly inconsistent with Article III:4 to make this favorable GI status available under the GI Regulation to products of EC origin if those products meet certain requirements and specifications, but to make it unavailable to products of other WTO Members unless additional requirements are met: *i.e.*, unless those Members can prove to the satisfaction of the EC Commission that they (1) have a GI system that is equivalent to the EC's; (2) provide reciprocal GI protection to EC products, and (3) are willing and able to intervene at the EC Commission on behalf of its nationals. It is obvious from the structure and architecture of the EC GI Regulation that it treats imported products less favorably than domestic products, and that it shifts the competitive conditions dramatically in favor of EC products.

98. The paragraphs that follow will establish that each of the elements of an Article III:4 violation is met.

⁸¹ Appellate Body Report, *Japan – Alcohol*, p. 16 (emphasis added).

⁸² Appellate Body Report, *Korea – Beef*, para. 135, quoting *Japan – Alcohol*, pp. 16-17.

⁸³ Preamble, GI Regulation.

(a) The imported and domestic products are "like"

99. Both the Appellate Body and panels have been clear that, where there is a general measure of general application (*i.e.*, not directly regulating specific products), the issue with respect to "like product" is not whether particular traded products are "like", but rather whether the measures makes distinctions between products based solely on origin.⁸⁴ As the Appellate Body has noted, the term "like product" in Article III:4 of the GATT 1994 "is concerned with competitive relationships between and among products."⁸⁵ The issue is whether any formal differentiation in treatment between an imported and a domestic product could be based upon the fact that the products are different – *i.e.*, not like – rather than on the origin of the products involved.⁸⁶

100. In the case of the GI Regulation, the only difference between the products that may benefit from GI registration and protection – products from the EC – and those that may not so benefit on similarly favorable terms – products from other WTO Members – is their origin. Consequently, it is clear that the EC agricultural products and foodstuffs that are eligible for GI registration under one set of criteria and the non-EC agricultural products and foodstuffs that are only eligible if they satisfy an additional set of criteria are like products for purposes of Article III:4.

(b) The GI Regulation affects the "internal sale, offering for sale, purchase, transportation, distribution or use" of the imported product

101. Under Article III:4, Members have a national treatment obligation "with respect to all laws, regulations and requirements affecting the internal sale, offering for sale, purchase, transportation, distribution or use" of imported products of the territory of any other Member. This is a broad formulation, and a number of GATT and WTO dispute settlement reports have noted that the term "affecting" goes beyond measures that "directly" govern the conditions of sale or purchase, so as to cover measures which might "adversely modify the conditions of competition between domestic and imported products."⁸⁷

102. The GI Regulation does exactly this. As discussed more fully in the "Facts" section III and in section IV.A.1.b above, the GI Regulation governs the manner in which registered names can be used – and not used – on products that are sold, offered for sale, purchased, distributed or used. It governs

⁸⁴ See Panel Report, *US – FSC (Article 21.5 – EC)*, paras. 8.133 (Finding it unnecessary "to demonstrate the existence of actually traded like products in order to establish a violation of Article III:4" when a measure makes distinctions "between imported and domestic products" that are "solely and explicitly based on origin." See also Panel Report, *India – Autos*, para 7.174 (when origin is "the sole criterion distinguishing the products, it is correct to treat such products as like products within the meaning of Article III:4.")

⁸⁵ Appellate Body Report, *EC – Asbestos*, para. 103. See also discussion of *Alcohol* disputes in section IV.A.1.b.ii(2) above.

⁸⁶ Panel Report, *US – FSC (Article 21.5 – EC)*, para. 8.132.

⁸⁷ Eg., Panel Report, *India – Autos*, para. 7.196 ("Under GATT and WTO jurisprudence, the term 'affecting' has consistently been defined broadly. In particular, it has been well established that it implies a measure that has 'an effect on' and this indicates a broad scope of application" (*citing to Italy – Agricultural Machinery*, BISD 7S/60, para. 12.) See also Panel Report, *Canada – Autos*, para. 10.80 (This term therefore goes beyond laws and regulations which *directly* govern the conditions of sale or purchase to cover also "any laws or regulations which might adversely modify the conditions of competition between domestic and imported products."); Panel Report, *US – FSC (Article 21.5 – EC)*, at paras 8.139, 8.144 ("We agree with the views expressed in previous GATT and WTO panel reports that Article III:4 applies also to measures in the form of conditions that must be satisfied in order to obtain an 'advantage' from the government ... Furthermore, the terms 'law, regulation or requirement affecting...' in Article III:4 are general terms that have been interpreted as having a broad scope" [footnotes omitted].) Indeed, in *US – Section 337*, the panel found that a law enforcing intellectual property rights with respect to imported products was a measure "affecting" internal sale of imported products.

the use of the special EC GI symbol, or logo, on labels, packaging and advertising for certain products, throughout the EC marketplace that, according to the EC, provides consumer with a guarantee of quality and geographical origin with respect to those products, and provides the EC producer increased profits and market share.⁸⁸ It allows the products that qualify for the registered GI name numerous and very broad protections against other competitive and disparaging uses of the GI associated with the product, including protection by government authorities on their own initiative, as well as protection requested by private parties.⁸⁹ And it provides protection against the geographical indication of the product becoming generic.⁹⁰ The GI Regulation is, therefore, a law or regulation "affecting [the] internal sale, offering for sale, purchase, transportation, distribution or use" of imported products.

(c) The imported product is accorded "less favorable treatment" than the domestic like product

103. The Appellate Body has stated that "[t]he term 'less favorable treatment' expresses the general principle, in Article III:1, that internal regulations 'should not be applied ... so as to afford protection to domestic production.' If there is 'less favourable treatment' of the group of 'like' imported products, there is, conversely, 'protection' of the group of 'like' domestic products."⁹¹

104. It could not be clearer that the EC GI Regulation accords imported products less favorable treatment than domestic products. Agricultural products and foodstuffs from another WTO Member will not be accorded the same favorable treatment under the GI Regulation as like products from the EC:

- (a) unless that WTO Member has an internal system of GI protection that is equivalent to that in the EC;
- (b) unless that WTO Member is prepared to offer reciprocity of GI protection to EC agricultural products and foodstuffs;
- (c) unless a WTO Member is prepared itself to apply to the EC for an affirmative decision with respect to the above points; and
- (d) unless, with respect to a particular application for a GI, that WTO Member is willing and able to submit an application to the EC on behalf of its national, certifying to the presence of EC-equivalent and mandated inspection structures and other requirements.

105. Imposing these requirements as a condition of according imported products as favorable treatment as domestic like products is contrary to the Article III:4 national treatment obligation, which requires that such treatment be accorded unconditionally.⁹² Further, for imported products from WTO Members whose system of GI protection does not match that of the EC and which cannot meet the EC's requirements with respect to reciprocity, among other requirements, the less favorable treatment is obvious, and has been discussed in detail above. To summarize, even where such products produced outside the EC qualify as GIs under the definition provided in the GI Regulation, because of

⁸⁸ Preamble of the GI Regulation; Regulation 2037/93 (Exhibit COMP-2.a).

⁸⁹ Article 13(1) of the GI Regulation.

⁹⁰ Article 13(3) of the GI Regulation.

⁹¹ Appellate Body Report, *EC – Asbestos*, para 100.

⁹² See, e.g., *Belgian Family Allowances*, in which a Belgian provision exempting from certain charges products from countries requiring family allowance benefits was found inconsistent with MFN (and likely) national treatment obligations.

their reputation or other characteristics, they cannot, unlike their "like" counterparts produced in the EC:

- (a) be registered in the official EC-wide "Register of protected designations of origin and protected geographical indications";⁹³
- (b) use a registered geographical indication throughout the EC market;⁹⁴
- (c) include on the packaging, label, or advertising the official EC "symbol" or "logo" informing the consumer that the product is a registered GI;⁹⁵
- (d) receive the broad protections throughout the EC provided to registered products, both on the government's own initiative and through private rights of action, against an extremely broad range of competing and disparaging uses;⁹⁶ or
- (e) be protected from having their geographic name become generic (which causes the geographical indication to lose its value).⁹⁷

106. Further, even where the EC does permit imported products to be registered and protected, that imported product is still faced with treatment that is less favorable than that accorded its EC counterpart. Under Article 12(2) of the GI Regulation, a registered name can be used in connection with imported products "only if the country of origin of the product is clearly and visibly indicated on the label." There is no such requirement with respect to the use of name on a product of EC-origin.

107. In sum, the EC GI Regulation accords less favorable treatment to imported products than it does to like products of national origin in respect of laws, regulations and requirements affecting their internal sale, offering for sale, purchase, transportation, distribution, or use. Consequently, it is inconsistent with EC's obligations under Article III:4 of the GATT 1994. Nor can this less favorable treatment for imported products be justified under any of the exceptions provided under Article XX of the GATT 1994.

B. THE EC'S GI REGULATION IS INCONSISTENT WITH THE EC'S OBLIGATIONS TO PROVIDE MOST FAVORED NATION TREATMENT

108. Just as was the case with respect to national treatment, the EC GI Regulation is also inconsistent with two different most-favored-nation obligations under the WTO Agreements, the first with respect to *nationals* of WTO Members under Article 4 of the TRIPS Agreement, and the second with respect to the *products* of other WTO Members, under Article I:1 of the GATT 1994. This section addresses each of these inconsistencies separately below. Section B.1 immediately below addresses the GI Regulation's inconsistencies with the MFN obligations of the TRIPS Agreement. Section B.2 then addresses the GI Regulation's inconsistencies with the MFN obligations of the GATT 1994.

⁹³ Articles 6(1) - 6(4) of the GI Regulation.

⁹⁴ Article 4(1) of the GI Regulation.

⁹⁵ Article 5a of Regulation 2037/93. Exhibit COMP-2.a. As Annex II of this regulation explains, "[t]he logo will allow producers of food products to increase awareness of their products among consumers in the European Union... The presence of this logo is a genuine guarantee for all European consumers, making it clear that the special nature of this product lies in its geographical origin. Because of this, products will inspire more confidence. As producers, the logo provides you which [sic] a marketing tool. You will be able to put the logo on the labels or packaging of your products, and also use it in your advertising." (Emphasis added.)

⁹⁶ Article 13 of the GI Regulation.

⁹⁷ Article 13(3) of the GI Regulation.

1. The EC GI Regulations is inconsistent with the EC's most favored nation obligations with respect to other WTO Member's nationals under the TRIPS Agreement

- (a) The TRIPS Agreement requires that any advantage, favor, privilege or immunity granted to nationals of any other country be accorded immediately and unconditionally to the nationals of all other WTO Members

109. As the Appellate Body recently confirmed, the most favored nation obligation is as significant and as fundamental to the world trading system as the national treatment obligation:

Like the national treatment obligation, the obligation to provide most-favoured-nation treatment has long been one of the cornerstones of the world trading system. For more than fifty years, the obligation to provide most-favoured nation treatment in Article I of the GATT 1994 has been both central and essential to assuring the success of a global rules-based system for trade in goods. Unlike the national treatment principle, there is no provision in the Paris Convention (1967) that establishes a most-favoured-nation obligation with respect to rights in trademarks or other industrial property. However, the framers of the *TRIPS Agreement* decided to extend the most-favoured nation obligation to the protection of intellectual property rights covered by the Agreement. As a cornerstone of the world trading system, the most-favoured-nation obligation must be accorded the same significance with respect to intellectual property rights under the TRIPS Agreement that it has long been accorded with respect to trade in goods under the GATT. It is, in a word, fundamental.⁹⁸

110. Indeed, the MFN obligation is, if anything, even more explicit in its rejection of conditions such as reciprocity and equivalent internal systems than is the national treatment obligation.

111. Article 4 of the TRIPS Agreement, the MFN obligation, provides that:

With regard to the protection of intellectual property, any advantage, favour, privilege or immunity granted by a Member to the nationals of any other country shall be accorded immediately and unconditionally to the nationals of all other Members.

112. The phrase "with regard to the protection of intellectual property" is the same phrase as appears in the national treatment obligation, and refers, *inter alia*, to the rights of nationals in matters pertaining to the availability, acquisition, scope, maintenance, and enforcement of rights in their geographical indications, as well as those matters affecting the use of geographical indications addressed in the TRIPS Agreement, *i.e.*, with respect to their ability to protect their geographical indications from misleading uses and unfair acts of competition. The strong language that all advantages must be accorded "immediately and unconditionally to nationals of all other Members" emphasizes that this MFN provision prohibits making the availability, acquisition, maintenance, and enforcement of these rights to nationals of other Members contingent on (a) "reciprocity" by other Members *vis-à-vis* EC nationals; or on (b) the other Members having a particular system of protection themselves.

113. The context of these terms confirms this reading. Within the framework that establishes strong MFN obligations for the protection of intellectual property, Article 4 also sets forth a limited number of particular advantages, favors, privileges, or immunities, which, may, extraordinarily, be exempted from this obligation. Notably, Article 4(b) specifically exempts from this obligation any advantage, favor, privilege or immunity granted in accordance with the *Berne Convention for the Protection of Literary and Artistic Works*.

⁹⁸ Appellate Body Report, *US – Section 211*, para. 297.

Protection of Literary and Artistic Works (1971) and the *International Convention for the Protection of Performers, Producers of Phonograms and Broadcasting Organizations (1961)* ("Rome Convention") that authorize a Member to depart from the general national treatment rule under those conventions. Certain provisions of these copyright and related right conventions permit that treatment accorded nationals be a function not of national treatment, but of the treatment accorded in another country – *i.e.*, that a Member may in specific cases make the extent of protection for copyrighted works or the subject matter of related rights depend on the extent of protection in the country of origin of the work, instead of granting the same extent of protection to all nationals. Other specific exemptions from the MFN obligation, particularly in the area of copyright and related rights, are laid out in Article 4.⁹⁹

114. By contrast, there is no exemption for advantage, favors, privileges, or immunities granted with respect to rights in geographical indications. The context of the terms in Article 4 therefore confirms that "reciprocity" is clearly prohibited with respect to GIs.

115. Further, adopted dispute settlement reports under Article I of the GATT 1994 (MFN in the goods context) provide guidance with respect to this obligation. The GATT panel in *Belgian Family Allowances* found a violation of Article I:1 based on Belgium's measure conditioning a benefit to imported goods – in that case, an exemption from a levy collected on purchases of products – on the adoption by the exporting Member of a system requiring companies to provide family allowance benefits to its employees that meets specific requirements.¹⁰⁰ The panel found that the exemption was inconsistent with Article I (and possibly Article III) because "it introduced a discrimination between countries having a given system of family allowances and those which had a different system or no system at all, and made the granting of the exemption dependent on certain conditions."¹⁰¹

116. In sum, the immediate and unconditional requirement in the MFN obligation to accord the same advantages, privileges, favors, or immunities to all nationals of WTO Members with respect to GIs does not permit Members to condition those advantages on an individual Member having a particular protection system or being prepared to offer reciprocity.

(b) The EC GI Regulation grants significant advantages, favors, privileges, and immunities to nationals of some countries that it does not accord at all to nationals of WTO Members

117. As discussed above with respect to national treatment, the EC GI Regulation grants numerous and significant advantages, favors, privileges, and immunities to the nationals of any third country with respect to their home-based GIs, as long as that country (a) has a GI protection system equivalent to that of the EC; and (b) provides protection to EC nationals that is equivalent to that available in the EC with respect to agricultural products and foodstuffs. Further, these advantages, favors, privileges, and immunities are available only if that third country is willing and able to convince the EC that it satisfies the EC's requirements with respect to the protection of GIs, and, with respect to applications for the registration of GIs, is willing and able to advocate on behalf of its national *vis-à-vis* the EC.¹⁰² None of these advantages, favors, privileges, or immunities are available to nationals producing in their country of nationality, where that country is not willing or able to satisfy these requirements.

118. Consequently, the EC GI Regulation is inconsistent with the most-favored-nation obligation of the TRIPS Agreement for the same reasons that it is inconsistent with the national treatment obligation of the TRIPS Agreement. With respect to the registration and EC-wide protection of GIs,

⁹⁹ See also Gervais, pp. 105 - 110.

¹⁰⁰ *Belgian Family Allowances*, paras. 3, 8.

¹⁰¹ *Belgian Family Allowances*, paras. 3, 8.

¹⁰² The actions required of WTO Members with respect to GI applications and objections are detailed in the discussion on national treatment, and will not be repeated here.

as well as the right to object to the registration of GIs, the GI Regulation conditions the protection of intellectual property rights for a WTO Member's nationals on equivalency and reciprocity, and it imposes additional hurdles on nationals of some WTO Members that are not imposed on Members of other WTO Member nationals. With respect to the latter point, a national from a WTO Member that already has in place a system of GI protection that is equivalent to the EC's system – recall, however, that there are many ways of implementing GI obligations, including that used by the EC – is not faced with the hurdle of developing a new GI protection system. A national from other WTO Members, such as the United States, by contrast, faces this considerable hurdle.¹⁰³

119. Indeed, the GI Regulation is inconsistent with the MFN obligations of the TRIPS Agreement in two respects. First, as among non-EC WTO Members, nationals from WTO Members that satisfy the EC's conditions of reciprocity and equivalency are accorded more favorable treatment than nationals from those WTO Members that do not. In this connection, for example, the EU has signed a joint declaration on the protection of geographical indications and designations of origin of agricultural products and foodstuffs with Switzerland, which states that:

The European Community and Switzerland (hereinafter referred to as "the Parties") hereby agree that the mutual protection of designations of origin (PDOs) and geographical indications (PGIs) is essential for the liberalization of trade in agricultural products and foodstuffs between the Parties ... The Parties shall provide for provisions on the mutual protection of PDOs and PGIs to be incorporated in the Agreement on trade in agricultural products on the basis of equivalent legislation, as regards both the conditions governing the registration of PDOs and PGIs and the arrangements on controls.¹⁰⁴

120. Nationals of a WTO Member that does not meet the EC's conditions, by contrast, cannot expect to have their home-based GIs registered and protected.

121. Second, each of the EC member States is also a WTO Member. Therefore, under Article 4 of the TRIPS Agreement, any advantage, favor, privilege, or immunity granted by an EC member State to a national of another EC member State must be accorded immediately and unconditionally to the nationals of all non-EC WTO Members. Yet, under the GI Regulation, for all of the reasons described in the section of this submission on national treatment, an EC member State grants more favorable treatment to nationals from other EC member States than it accords to nationals from non-EC WTO Members, with respect to the protection of GIs.

122. In sum, in these two respects, the GI Regulation accords advantages, favors, privileges, and immunities to nationals of some countries that it does not accord to nationals of other WTO Members, despite the Article 4 requirement to accord them "immediately and unconditionally to the nationals of all other Members."

¹⁰³ In *US – Section 211*, para. 314, the Appellate Body incorporated and applied the "additional hurdle" analysis used in analyzing the national treatment claim in its analysis of the MFN claim.

¹⁰⁴ Agreement between the European Community and the Swiss Confederation on trade in agricultural products - Final Act - Joint Declarations, including Joint Declaration on the protection of geographical indications and designations of origin of agricultural products and foodstuffs, OJ L 114 , April 30, 2002, p. 366. Exhibit US-6.

2. The EC GI Regulation is inconsistent with the EC's most favored nation obligations with respect to goods of other WTO Members under the GATT 1994

(a) Article I:1 of the GATT 1994 requires that any advantage, favor, privilege, or immunity granted to any product originating in any other country be accorded immediately and unconditionally to the like product originating in the territories of all other WTO Members

123. Article I:1 of the GATT 1994 provides that:

with respect to all matters referred to in paragraphs 2 and 4 of Article III, any advantage, favour, privilege or immunity granted by any contracting party to any product originating in or destined for any other country shall be accorded immediately and unconditionally to the like products originating in or destined for the territories of all other contracting parties.¹⁰⁵

124. "Matters referred to in paragraphs 2 and 4 of Article III" include, with respect to imported products, "laws, regulations, and requirements affecting their internal sale, offering for sale, purchase, transportation, distribution or use." As discussed above in the context of national treatment, the GI Regulation is such a measure.

125. Further, the "like products" requirement is satisfied in the case of the EC GI Regulation, because, as discussed in the context of national treatment, the GI Regulation makes distinctions based solely on the origin of the product.

126. Therefore, Article I:1 of the GATT 1994 requires that any advantage, favor, privilege, or immunity granted by the EC GI Regulation to agricultural products and foodstuffs originating in any country be accorded, immediately and unconditionally to the agricultural products and foodstuffs originating in the territories of all other WTO Members.

(b) The EC GI Regulation grants significant advantages, favors, privileges, and immunities to agricultural products and foodstuffs originating in some countries that it does not accord to like products originating in the territories of all WTO Members

127. The EC GI Regulation does not satisfy the requirements of Article I:1 of the GATT 1994. Rather, the Regulation grants significant advantages, favors, privileges and immunities to products from a third country only if that country (a) has a GI protection system equivalent to that of the EC and (b) provides protection to EC nationals that is equivalent to that available in the EC with respect to agricultural products and foodstuffs. These significant advantages, favors, privileges, and immunities have been detailed elsewhere, and include the ability to be marketed as a quality product of identifiable geographic origin, the right to be marketed with a coveted EC GI symbol, protection, including at the authorities' own initiative, against a broad range of competing uses of the product's geographical indication, and protection against the geographic indication becoming generic (and thus losing its value). These are all advantages, favors, privileges, and immunities that are granted to the products of third countries that meet the conditions of reciprocity and equivalent GI systems, as determined by the EC. The Regulation does not accord these advantages, favors, privileges, and immunities to the products of any third country that does not meet these conditions, despite the Article I:1 requirement to accord them "immediately and unconditionally to the nationals of all other Members." Rather, it accords them to imported goods "subject to conditions with respect to the situation or conduct of"¹⁰⁶ WTO Members, discriminating against like products based on the origin of the product. Further, it imposes an "extra hurdle" on imported goods from some WTO Members that

¹⁰⁵ Reference to Notes and Supplementary Provisions in Annex I omitted.

¹⁰⁶ Panel Report, *Canada – Autos*, para. 10.23.

it does not impose on imported goods from other WTO Members, as detailed in the preceding sections.

128. This conclusion is in accord with GATT and WTO dispute settlement reports going back to the earliest days of the GATT. A GATT panel in *Belgian Family Allowances* found a violation of Article I:1 based on an exemption from a fee that was available only with respect to products from countries that required its companies to offer a specific family allowance benefit that satisfied requirements of Belgian law. That panel found that the fee exemption "would have to be granted unconditionally to all other contracting parties."¹⁰⁷

The consistency or otherwise of the system of family allowances in force in the territory of a given contracting party with the requirements of the Belgian law would be irrelevant in this respect, and the Belgian legislation would have to be amended insofar as it introduced a discrimination between countries having a given system of family allowances and those which had a different system or no system at all, and made the granting of the exemption dependent on certain conditions.¹⁰⁸

129. Similarly, in this dispute, the GI Regulation "introduce[s] a discrimination between countries having a given system of [GI protection] and those which ha[ve] a different system." Consequently, for all of the reasons above, the GI Regulation is inconsistent with Article I:1 of the GATT 1994. Further, this discrimination is not excused by any of the exceptions under Article XX of the GATT 1994.

C. THE EC GI REGULATION IS INCONSISTENT WITH THE EC'S OBLIGATIONS UNDER ARTICLE 16.1 OF THE TRIPS AGREEMENT

1. Introduction

130. Article 16.1 of the TRIPS Agreement requires Members to give owners of registered trademarks the exclusive right to prevent confusing uses of similar or identical signs by all third parties:

The owner of a registered trademark shall have the exclusive right to prevent all third parties not having the owner's consent from using in the course of trade identical or similar signs for goods or services which are identical or similar to those in respect of which the trademark is registered where such use would result in a likelihood of confusion. In case of the use of an identical sign for identical goods or services, a likelihood of confusion shall be presumed.

131. Contrary to this obligation, and as explained in detail below, the EC GI Regulation fails to provide the owner of a valid prior registered trademark with the exclusive right to prevent all third parties (including those entitled to use a registered GI) from using identical or similar signs (including GIs) that result in a likelihood of confusion.¹⁰⁹ This shortcoming is directly inconsistent with the EC's obligations under Article 16.1 of the TRIPS Agreement.

¹⁰⁷ *Belgian Family Allowances*, para. 3.

¹⁰⁸ *Belgian Family Allowances*, para. 3.

¹⁰⁹ In fact, even in a case where the GI is presented as a sign that is identical to a registered trademark and is being used for an identical good (where, under the TRIPS Agreement, a likelihood of confusion is presumed), under the GI Regulation, the owner of the registered trademark is powerless to prevent that sign from being used in the course of trade.

2. The US argument in light of the relationship between trademark rights and GI rights

132. In many ways, GIs and trademarks serve the same function, in that they both are "source" indicators and can therefore serve as indicators of quality. They both aim to prevent consumers from being misled or confused as to whether the goods they buy possess the anticipated qualities and characteristics.¹¹⁰ Moreover, they both may take a similar physical form, prominently displayed on labels and in advertising materials. On the one hand, trademarks indicate the source of goods as a particular undertaking (*e.g.*, a producer or group of producers).¹¹¹ On the other hand, geographical indications indicate the source of the goods as a particular geographic area, where a quality, reputation, or other characteristic of the good is essentially attributable to that origin. Both forms of intellectual property are aimed at distinguishing goods so that the consumer can make informed judgments about the goods they buy.

133. In addition, the TRIPS Agreement bestows each with a certain degree of exclusivity. Both trademark owners and GI owners¹¹² have the right to exclude others from certain uses of signs or indications. The right for trademark owners under Article 16.1 of the TRIPS Agreement is the right to exclude all others (including those entitled to use a registered GI) from using identical or similar signs (including GIs) for the same or similar goods in a way that results in a likelihood of confusion as to the source of the goods. Under Article 22.2 of the TRIPS Agreement, the right for GI owners is to prevent uses (including of trademarks) that mislead the consumer as to the geographic origin of the goods or constitute an act of unfair competition.¹¹³ There is nothing inconsistent in these two obligations, and each should be given its full scope in a manner that does not bring them into conflict.¹¹⁴

134. With the distinctions and similarities between these two categories of intellectual property rights in mind, the United States argues in this dispute that the EC GI Regulation is inconsistent with Article 16.1 of the TRIPS Agreement because, under the EC GI Regulation, owners of prior registered trademarks cannot prevent all third parties from using identical or similar signs on the same or similar goods for which the trademark is registered, even where there is a likelihood that the consumer will be confused. Under Article 14(2) of the GI Regulation, the best that the owner of a valid prior registered trademark can hope for is the ability to continue using its trademark, but without the ability to exercise the exclusive right that lies at the heart of his trademark right. This is inconsistent with Article 16.1 of the TRIPS Agreement.

135. The United States is concerned in this dispute with the trademark rights provided owners of valid prior trademarks under Article 16.1 of the TRIPS Agreement. For example, as stated at the outset of this submission, under Article 16.1, the owner of a registered trademark has to be able to

¹¹⁰ And, indeed, among the varied means of satisfying the TRIPS Agreement obligations with respect to geographical indications, a number of WTO Members have chosen to protect geographical indications through their trademark system, notably through the use of certification marks and collective marks. See WIPO Document SCT/8/4 (Exhibit US-5) and WIPO Document SCT/9/4 (Exhibit COMP-16).

¹¹¹ See Article 15.1 of the TRIPS Agreement.

¹¹² *i.e.*, the collective body of authorized users of the GI.

¹¹³ In addition, Article 22.3 of the TRIPS Agreement provides that Members must refuse or invalidate the registration of a trademark consisting of a GI that misleads the public as to the true origin of the product. Note also that Article 23.2 of the TRIPS Agreement provides for the refusal or invalidation of certain trademarks for wine and spirits that contain or consist of a geographical indication. Since the GI Regulation does not apply to wine and spirits, however, this provision is not directly relevant to this dispute.

¹¹⁴ As recognized by the panel in *Indonesia – Autos*, para 14.28, "in public international law there is a presumption against conflict," which "is especially relevant in the WTO context since all WTO agreements ... were negotiated at the same time, by the same Members and in the same forum." Footnotes omitted. Of course individual GIs that are identical or similar to trademarks may, however, "conflict" in the sense that the GI may be confusing consumers.

take action against another producer selling an identical product, labeled with an identical name (protected as a geographical indication after the trademark registration), on the same shelf as the trademark owner's trademarked product. The GI Regulation does not allow him to do this. The United States is not arguing that trademarks that "mislead the public as to the true place of origin" of the underlying goods in a given territory must be registered and provided Article 16.1 rights in that territory.¹¹⁵ Rather, the US argument is narrow in focus, but critical: where a valid prior registered trademark exists, the owner of that trademark must, under Article 16.1, be able, through judicial proceedings or otherwise, to prevent all third parties from using a GI when the trademark owner can demonstrate that the GI is identical or similar to the trademark for identical or similar goods, and is used in a manner that is likely to confuse the consumer as to the source of the goods. As discussed below, the EC GI Regulation is inconsistent with this obligation.

136. In section 3 below, the United States describes the obligation to provide an exclusive right to prevent confusing uses under Article 16.1 of the TRIPS Agreement and explains why the exclusive right to prevent confusing uses is the essence of the trademark rights under the TRIPS Agreement. Section 4 then describes how the EC GI Regulation is inconsistent with this Article 16.1 obligation.

3. Article 16.1 of the TRIPS Agreement requires Members to provide the owners of registered trademarks with the exclusive right to prevent all third parties from using identical or similar signs resulting in a likelihood of confusion

(a) Ordinary meaning of the terms in Article 16.1

137. Article 16.1 provides that:

The owner of a registered trademark shall have the exclusive right to prevent all third parties not having the owner's consent from using in the course of trade identical or similar signs for goods or services which are identical or similar to those in respect of which the trademark is registered where such use would result in a likelihood of confusion. In case of the use of an identical sign for identical goods or services, a likelihood of confusion shall be presumed.¹¹⁶

138. The ordinary meaning of the terms in Article 16.1 confirms the breadth and strength of the rights that must be accorded owners of registered trademarks. "Prevent" means to "[s]top, hinder, avoid", and "[c]ause to be unable to do ... something."¹¹⁷ "All" means the "entire number of" and "without exception".¹¹⁸ "Exclusive" means "[n]ot admitting of the simultaneous existence of something; incompatible" and "[o]f a right, privilege, quality, etc.; possessed or enjoyed by the individual(s) specified and no others."¹¹⁹

139. Further, the ordinary meaning of Article 16.1 shows that geographical indications are included among the "signs" whose use an owner of a registered trademark must be able to prevent. "Sign" has a broad meaning, as indicated in Article 15.1 of the TRIPS Agreement, which includes as particular examples of signs "words, including personal names, letters, numerals, figurative elements, and combinations of colours." The ordinary meaning of "sign" confirms this broad meaning: a "mark, symbol or device used to represent something or distinguish the object on which it is put"; "an

¹¹⁵ See Article 22.3 of the TRIPS Agreement. Further, under Article 22.2 of the TRIPS Agreement, with respect to GIs, interested parties must be provided the legal means to prevent uses that mislead the public as to the geographical origin of the good.

¹¹⁶ Emphasis added.

¹¹⁷ The New Shorter Oxford English Dictionary (4th ed 1993), p. 2348 (Exhibit US-7).

¹¹⁸ The New Shorter Oxford English Dictionary (4th ed 1993), p. 52 (Exhibit US-7).

¹¹⁹ The New Shorter Oxford English Dictionary (4th ed 1993), p. 875 (Exhibit US-7).

indication or suggestion of a present state, fact, quality, etc.¹²⁰ Similarly, "indication", which is part of the TRIPS Agreement Article 22.1 definition of "geographical indication" is "something that indicates or suggests; a *sign*, a symptom, a hint."¹²¹ In short, the fact that "sign" is a broad term, and specifically includes an "indication", along with the fact that the ordinary meaning of "indication" includes a "sign", confirms that geographical indications are signs, the confusing use of which owners of registered trademarks must be able to prevent under Article 16.1.¹²²

140. The ordinary meaning of the terms in Article 16.1, therefore, confirms that the owner of a registered trademark must, under Article 16.1, have the *exclusive* right to stop

all third parties (*i.e.*, the entire number of third parties, without exception, including third parties producing products that use a GI),

from using in the course of trade *identical or similar signs* (*i.e.*, including identical or similar geographical indications, that is, "indications" that identify a good as originating in a particular geographic area where "a given quality, reputation, or other characteristic of [that] good is essentially attributable to" that geographic area) for goods or services which are identical or similar to those in respect of which the trademark is registered,

where such use would result in a likelihood of confusion.

(b) The context of the terms in Article 16.1

141. The context of Article 16.1 confirms the ordinary meaning of these terms. Where there is a need to clarify the relationship among individual rights in geographical indications and trademarks, the TRIPS Agreement does so explicitly. For instance, Article 22.3 of the TRIPS Agreement provides that protection of a geographical indication requires that a Member "refuse or invalidate the registration of a trademark" in certain specific instances where the trademark consists of or includes a geographical indication and its use would mislead the consumer as to the origin of the goods.¹²³

¹²⁰ The New Shorter Oxford English Dictionary (4th ed 1993), p. 2858 (Exhibit US-7).

¹²¹ The New Shorter Oxford English Dictionary (4th ed 1993), p. 1348 (Exhibit US-7).

¹²² Notwithstanding the GI Regulation, the EC's own Community Trademark Regulation reflects this. Article 4 of that regulation defines a trademark to "consist of any signs" and the preamble states that the function of a trade mark is to "guarantee the trade mark as an indication of origin." Council Regulation (EC) No. 40/94 of 20 December 1993 on the Community Trademark, OJ L 11, January 14, 1994, p. 1 ("Regulation 40/94 on the Community Trademark"). See also Article 2 of the First Council Directive of 21 December 1988 to approximate the laws of the Member States relating to registered trademarks (89/104/EEC), OJ L 40, February 2, 1989, p. 1. Exhibits COMP-6 and COMP-7.a.

¹²³ Article 22.3 of the TRIPS Agreement requires the refusal or invalidation of a trademark registration "which contains or consists of a geographical indication with respect to goods not originating in the territory indicated, if use of the indication in the trademark for such goods in that Member is of such a nature as to mislead the public as to the true place of origin." This reflects principles that were already included in the domestic trademark law of WTO Members. See, e.g., Regulation 40/94 on the Community Trademark, Article 7(1)(g) ("The following shall not be registered: ... trademarks which are of such a nature as to deceive the public, for instance as to the ... geographical origin of the goods or services") (Exhibit COMP-7.a); First Council Directive 89/104/EEC Article 3(1)(g) ("The following shall not be registered or if registered shall be liable to be declared invalid: ... trademarks which are such a nature as to deceive the public, for instance as to the ... geographical origin of the goods or services.") (Exhibit COMP-6). The principle these provisions reflect is not a superiority of geographical indications over trademarks, but a desire to protect the public or consumers from being misled.

142. The Appellate Body has made clear, *e.g.*, in *EC – Sardines*, that any exception to an obligation must be explicitly set out in the text of the Agreement.¹²⁴ Indeed, where the TRIPS Agreement negotiators meant to specify an exception to, or a limit on, geographical indication and trademark rights, they did so explicitly. Article 24.5, for example, is an exception to the protection of geographical indications¹²⁵ that specifies that a Member's measures to protect geographical indications under the TRIPS Agreement shall not prejudice eligibility for or the validity of the registration of a trademark, or the right to use a trademark. It applies to trademarks that were applied for or registered, or whose rights have been acquired through use either before January 1, 1996,¹²⁶ or before the geographical indication is protected in its country of origin. In other words, where implementation of the GI provisions of the TRIPS Agreement might otherwise have prejudiced "eligibility for or the validity of the registration ... or the right to use a trademark" – and Article 23.2, which requires the invalidation of wine and spirit trademark registrations that contain or consist of wine or spirit GIs, might be an example of such a case – Article 24.5 would prevent that result for, or would "grandfather", those trademarks covered by its terms.

143. Similarly, when a conflict between rights to exclude must result in a compromise, the TRIPS Agreement negotiators were also careful to spell this out. For instance, because GIs are a specific type of sign linked to geographic origin, the TRIPS Agreement contemplates some instances where two identically named places exist and therefore where two similar geographical indications may be used simultaneously under conditions set by the Members. Article 23.3 of the TRIPS Agreement provides for the situation where two different GIs for wine have the same name: "homonymous geographical indications". Article 23.3 provides that "protection shall be accorded to each indication", but that "[e]ach Member shall determine the practical conditions under which the homonymous indications in question will be differentiated from each other, taking into account the need to ensure equitable treatment of the producers concerned and that consumers are not misled." No such provision exists allowing Members to permit continued use of a GI that is identical or similar to a valid prior registered trademark that would result in a likelihood of confusion, in the face of an infringement challenge by the trademark owner.

144. In sum, the ordinary meaning of the terms in Article 16.1, confirmed by their context, demonstrates that owners of registered trademarks must be given the exclusive right to prevent all third parties, including those authorized to use GIs, from using in the course of trade similar or identical signs, including geographical indications, for goods or services that are identical or similar to those covered by the trademark registration, where such use would result in a likelihood of confusion.

(c) The object and purpose of the TRIPS Agreement with respect to Article 16.1

145. Further, Article 16.1 must also be read in light of the object and purpose of the TRIPS Agreement, and specifically with respect to Article 16.1 and its grant of exclusive rights. The Appellate Body in *US – Section 211* emphasized the importance of the exclusive nature of these rights, finding that Article 16.1 confers on the owner of "registered trademarks an internationally agreed minimum level of 'exclusive rights' that all WTO Members must guarantee in their domestic

¹²⁴ Appellate Body Report, *EC – Sardines*, paras. 201 - 208.

¹²⁵ Article 24, in section 3 of the TRIPS Agreement – "Geographical Indications" – is entitled "International Negotiations; Exceptions". It should be noted here that Article 17 of the TRIPS Agreement contains a general provision that permits Members to provide "limited exceptions" to the rights conferred by a trademark, such as fair use of descriptive terms, but any such limited exceptions "must take account of the legitimate interests of the owner of the trademark and of third parties." The EC GI Regulation does not qualify as a "limited" exception, because there is no limit placed on the permitted uses of registered GIs that are identical or similar to prior valid registered trademarks. Further, the GI Regulation does not take into account the legitimate interest of the trademark owner.

¹²⁶ Article 24.5 specifies the date of application of the TRIPS Agreement provisions, which, for the European Communities, is January 1, 1996.

legislation", and that these exclusive rights "protect the owner against infringement of the registered trademark by unauthorized third parties."¹²⁷

146. Indeed, EC jurisprudence, like that of the United States, recognizes that trademark exclusivity – the right of the owner of a registered trademark to prevent the use of a similar or identical sign that would result in a likelihood of confusion – is the core of a trademark right. For example, Advocate General Jacobs of the European Court of Justice stated in the *Hag-II* case that:

A trademark can only fulfil that role [*i.e.*, to identify the manufacturer and to guarantee quality] if it is exclusive. Once the proprietor is forced to share the mark with the competitor, he loses control over the goodwill associated with the mark. The reputation of his own goods will be harmed if the competitor sells inferior goods. From the consumer's point of view, equally undesirable consequences will ensue, because the clarity of the signal transmitted by the trademark will be impaired. The consumer will be confused and misled.¹²⁸

147. These principles have been consistently followed by the European Court of Justice, which held, for instance, in *Bristol-Myers Squibb v. Paranova A/S*, that:

As the Court has recognized on many occasions, the specific subject matter of a trademark is in particular to guarantee to the owner that he has the exclusive right to use that trademark ...¹²⁹

148. As detailed below, the GI Regulation is an abrupt deviation from this jurisprudence in the EC. Maintenance of the principle underlying this jurisprudence would benefit nationals of all WTO members that are trademark owners in the EC – including nationals of the EC.

149. That the exclusivity of a trademark owner's right is the core of trademark rights has similarly been emphasized by the US Supreme Court. The Court held in 1916 that "the right to use a trademark is recognized as a kind of property, of which the owner is entitled to the exclusive enjoyment to the extent that it has actually been used."¹³⁰ That early judgment was fully endorsed in the 1999 decision in *College Savings Bank v. Florida Prepaid Postsecondary Education Expense Board*, in which the Court stated that "[t]he hallmark of a protected property interest is the right to exclude others. That is one of the most essential sticks in the bundle of rights that are commonly characterized as property."¹³¹

150. In sum, Article 16.1 enshrines a principle of trademark protection recognized in the jurisprudence of both the United States and the EC, and imposes an obligation on Members that reflects the vital importance to trademark owners of exclusivity in the use of their trademarks.

¹²⁷ Appellate Body Report, *United States – Section 211*, para. 186.

¹²⁸ Advocate General's Opinion in Case C-10/89, SA *CNL-Sucal NV v. HAG GFAG*, delivered on 13 March 1990 [1990] ECR I-3711, at para. 19. Exhibit US-8.

¹²⁹ C-427/93, *Bristol-Myers Squibb and others v. Paranova*, [1996] ECR I-3457, at para. 44 (Exhibit US-9); see also Advocate General's Opinion in Case C-517/99, *Merz & Krell GmbH & Co. KG*, delivered on 18 January 2001, [2001] ECR I-6959, at paras 31, 42 ((Exhibit US-10); C-349/95, *Frits Loendersloot and George Ballantine & Son Ltd.*, [1997] ECR I-6227, at para. 24 ((Exhibit US-11); Advocate General's Opinion in Case C-425/98 – *Marca Mode CV. v. ADIDAS AG and ADIDAS Benelux B.V.*, delivered on 27 January 2000, [2000] ECR I-4861, at para. 34 (Exhibit US-12).

¹³⁰ US Supreme Court, *Hamilton-Brown Show Co. v. Wolf Brothers & Co.*, 240 US 251, 272 (1916). Exhibit US-13.

¹³¹ US Supreme Court, *College Savings Bank v. Florida Prepaid Postsecondary Education Expense Board*, 527 US 666, 667 (1999). Exhibit US-14.

(d) Conclusion with respect to the meaning of Article 16.1

151. In light of the clear obligation under Article 16.1, contained in the ordinary meaning of its terms, in their context, and in light of the object and purpose of the TRIPS Agreement, it is plain that the owner of a registered trademark must be given the exclusive right to prevent all third parties, including those authorized to use GIs, from using in the course of trade similar or identical signs, including geographical indications, for goods or services that are identical or similar to those covered by the trademark registration, where such use would result in a likelihood of confusion.

4. Contrary to Article 16.1 of the TRIPS Agreement, the EC GI Regulation does not permit owners of registered trademarks to exercise their Article 16.1 exclusive rights to prevent confusing uses

(a) The text of the EC GI Regulation makes clear that owners of registered trademarks are not permitted to exercise their Article 16.1 rights

152. The EC GI Regulation denies owners of registered trademarks their right under Article 16.1 of the TRIPS Agreement to prevent confusing uses of similar or identical signs.

153. Article 4(1) of the EC GI Regulation provides that an agricultural product or foodstuff that complies with the specification filed with a GI registration – and only that product – is eligible to use a protected geographical indication, *i.e.*, the name of a qualifying region, specific place, or country.¹³² Article 13 of the GI Regulation provides that names registered under that Regulation "shall be protected against" a broad range of uses or practices by those not authorized to use the name under the GI Regulation.

154. By contrast, nothing in the GI Regulation provides that the use of the GI can be limited in any way by the owner of a valid prior registered trademark who wishes to exercise his exclusive right under Article 16.1 of the TRIPS Agreement – that is, the right to prevent the use of a geographical indication in a manner that is likely to confuse the consumer as to the source of a product identified with the earlier trademark. Nor is there any discretion provided under the EC GI Regulation to prevent or limit uses of EC-registered GIs by qualified GI users, except in the case of a homonymous use.¹³³

155. To the contrary, Article 14 of the EC GI Regulation reinforces that owners of registered trademarks are denied their rights under Article 16.1 of the TRIPS Agreement. Most obvious is Article 14(2), which addresses the situation of a trademark right that predates the GI right,¹³⁴ but where the use of the trademark creates one of the situations against which registered GI names are to be protected under Article 13 of the GI Regulation – *e.g.*, the prior registered trademark "evokes" the later-registered GI name, in the terminology of Article 13. Under Article 16.1 of the TRIPS Agreement, if the use of the later GI in connection with identical or similar goods is likely to confuse the consumer as to the producer of the goods, then the owner of the registered trademark should have the exclusive right to prevent that confusing use by the GI owner. The EC GI Regulation should reflect this.

156. The EC GI Regulation, however, takes a very different approach. Far from providing that the owner of a prior registered trademark has the right to prevent confusing uses, as is required by

¹³² Article 2.2(b) of the GI Regulation (definition of "geographical indication").

¹³³ Article 6(6) of the GI Regulation.

¹³⁴ Under the EC GI Regulation, this is a trademark that acquires rights (by application, registration, or, where permitted, by use) before either (1) a GI registration application has been submitted to the EC; or (2) the GI is protected in its country of origin.

Article 16.1, the GI Regulation, as a narrow exception to the general GI right to prevent a broad range of uses, simply permits the registered trademark holder to keep using his trademark "notwithstanding" the later GI registration. To be precise, Article 14(2) provides that such a trademark that predates the GI registration "may continue to be used notwithstanding the [later] registration of a ... geographical indication". (Emphasis added.)

157. In other words, Article 14(2) specifically envisions that, even in cases where use of a GI raises a likelihood of confusion within the meaning of Article 16.1 of the TRIPS Agreement, the product that is marketed and labeled with that GI can be sold alongside a similar or the same product that has been marketed and labeled with an identical or similar valid prior registered trademark. The owner of the trademark will have no ability to exercise his TRIPS Agreement Article 16.1 rights to prevent any confusing use by the later-registered GI. As discussed above, however, the right to use a trademark without the right to exclude others from confusing uses would mean practically nothing, since the whole purpose and value of a trademark is to be able to distinguish one company's goods from the goods of other companies; without the ability to stop confusing uses, this value is eliminated. As Advocate General Jacobs of the European Court of Justice wrote, a trademark's role can be fulfilled "only if it is exclusive. Once the proprietor is forced to share the mark with the competitor, he loses control over the goodwill associated with the mark... From the consumer's point of view, equally undesirable consequences will ensue, because the clarity of the signal transmitted by the trademark will be impaired. The consumer will be confused and misled."¹³⁵

158. Article 14(3), the sole provision in the EC GI Regulation that addresses the confusing use of registered GIs *vis-à-vis* trademarks, underscores the limited impact that trademarks can have on GIs under the GI Regulation. Article 14(3) provides that a GI shall not be registered "where, in the light of a trade mark's reputation and renown and the length of time it has been used, registration is liable to mislead the consumer as to the true identity of the product."¹³⁶ In other words, under the EC GI Regulation, trademark rights are fully respected only where the trademark has been used for a long time, and has considerable "reputation and renown". There is no guidance in the GI Regulation with respect to this standard.

159. The exclusive right under Article 16.1 to prevent confusing uses, however, is not limited to owners of long-standing trademarks of reputation and renown, however this is interpreted. Rather, it is an exclusive right the Members must provide to all owners of valid prior registered trademarks, regardless of time of use, or of the trademark's reputation and renown.

160. In light of the EC GI Regulation, the EC trademark rules give no comfort that trademark owners' Article 16.1 rights will be respected. The EC trademark rules¹³⁷ generally provide for the rights required by Article 16.1 of the TRIPS Agreement. However, the EC Trademark Regulation, for example – which provides for a multinational trademark right across the EC – specifically undercuts these rights with respect to confusing geographical indications by stating, at Article 142, that the Trademark Regulation "shall not affect" the EC GI Regulation (which in parallel provides for a multinational GI right across the EC), and "in particular Article 14 thereof." Moreover, by operation of law, trademark law rights under the laws of the EC member States cannot contradict the provisions of EC regulations, including the Trademark Regulation and the GI Regulation. Article 249 of the Treaty Establishing the European Community states that a regulation "shall be binding in its entirety

¹³⁵ *Hag II*, para. 19. Exhibit US-8.

¹³⁶ Emphasis added.

¹³⁷ Council Regulation (EC) No 40/94 of 20 December 1993 on the Community Trademark ("Regulation 40/94 on the Community Trademark") and the First Council Directive of 21 December 1988 to approximate the laws of the Member States relating to registered trademarks (89/104/EEC). Exhibits COMP-7.a and COMP-6.

and directly applicable in all [m]ember States.¹³⁸ Consequently, if there is a conflict between domestic trademark law and the EC GI Regulation, the EC GI Regulation prevails.¹³⁹

161. In sum, under the EC GI Regulation, those who qualify to use a GI with respect to particular products have a right to use that GI, even if that use results in a likelihood of confusion with respect to a prior registered trademark. The best that the trademark holder can hope for, under these circumstances, is continued use of his trademark on his own goods in the course of trade. But as the jurisprudence quoted above points out, the right to use a registered trademark means nothing if the owner of that trademark cannot exercise his exclusive right to prevent the use of the same or similar signs on the same or similar goods that is likely to result in confusion. For this reason, Article 16.1 of the TRIPS Agreement requires Members to provide these exclusive rights in respect of all third parties.

- (b) The EC's explanations of the GI Regulation and the circumstances surrounding its coming into force confirm that the GI Regulation prevents owners of registered trademarks from exercising their Article 16.1 rights

162. In various published explanations of the GI Regulation, the EC has emphasized the right of GI owners to use the GI and the fact that conflicting trademarks will only be able to be used alongside such GIs, provided that the trademarks remain valid. This confirms the above reading of the text that, under the GI Regulation, the best the trademark holder can hope for is to be able to continue to use his trademark alongside the confusing GI.

163. For instance, Advocate General Jacobs of the European Court of Justice has explained that "Article 14(2) is designed to allow a prior trademark to co-exist with a subsequently registered conflicting designation of origin provided that the trade mark was registered in good faith."¹⁴⁰ Advocate General Jacobs concluded that, in light of a subsequently registered geographical indication, the "use of the name" protected by a registered trademark can "be allowed to continue pursuant to Article 14(2) of the regulation", but only if the additional requirements of Article 14(2) have been met.¹⁴¹ In addition, a publication of the European Commission opines that the TRIPS Agreement only provides that a valid prior trademark will "exist alongside the" later-registered identical or similar

¹³⁸ Consolidated Version of the Treaty Establishing the European Community, Article 249. Exhibit US-15.

¹³⁹ See, e.g., Judgment of the European Court of Justice in *Simmenthal II*, in which the Court stated as follows:

[I]n accordance with the principle of the precedence of Community law, the relationship between provisions of the Treaty and directly applicable measures of the institutions on the one hand and national law of the Member States on the other is such that those provisions and measures not only by their entry into force render automatically inapplicable any conflicting provision of current national law but - in so far as they are an integral part of, and take precedence in, the legal order applicable in the territory of each of the Member States - also preclude the valid adoption of new national legislative measures to the extent to which they would be incompatible with Community provisions.

Case 106/77, *Amministrazione delle Finanze dello Stato v. Simmenthal SpA*, [1978] ECR 629, at para. 17. Exhibit US-16.

¹⁴⁰ Opinion of Advocate General's Opinion in Case C-87/97, *Consorzio per la Tutela del Formaggio Gorgonzola v. 1. Käserei Champignon Hofmeister GmbH & Co. KG, Heising, Germany 2. Eduard Bracharz Gesellschaft mbH, Vienna, Austria*, delivered on December 17, 1998, para. 51. Exhibit US-17. The advocates general assist the European Court of Justice by providing "reasoned opinions on the cases brought before the court", opinions that the judges consider when drafting the ultimate ruling. See "European Union institutions and other bodies, The Court of Justice", http://europa.eu.int/institutions/court/index_en.htm. Exhibit US-18.

¹⁴¹ *Id.*, para. 58.

geographical indication.¹⁴² Indeed, the EC has specifically characterized the relationship between a geographical indication and a previously registered trademark in this situation as "coexistence", and states that "... the TRIPs [Agreement] ... clearly envisages coexistence."¹⁴³

164. Moreover, the EC has explained to the TRIPS Council that once a geographical indication is registered pursuant to the GI Regulation, "everybody who meets the established criteria has the right to use the geographical indication."¹⁴⁴ There was no suggestion of any limitation on that right with respect to any prior registered trademark owners. Further, in the proposal that ultimately led to an amendment to the EC GI Regulation in April 2003,¹⁴⁵ the Commission explained that Article 14 offers a trademark no more than the "possibility of co-existence."¹⁴⁶

165. Thus, far from offering any comfort that the GI Regulation preserves Article 16.1 trademark rights, these numerous explanations confirm the opposite conclusion.

166. This conclusion is even further buttressed by the unfortunately ill-fated attempt by the European Parliament to address the problem created by denying trademark owners their exclusive right to prevent confusing uses of signs under EC law. The Committee on Legal Affairs and the Internal Market of the European Parliament was critical of Article 14(2) of the GI Regulation for the very reasons identified in this submission: under Article 14(2), trademark owners lose their right to prevent all third parties from using a similar or identical sign that results in a likelihood of confusion. That Committee stated:

To deprive a trademark owner of the exclusive right conferred by Community trademark law by obliging him to allow a similar designation of origin or geographical indication, such as is likely to cause confusion, to coexist with the trademark is tantamount to expropriation. Given that the regulation makes no provision to compensate trademark owners, such expropriation would constitute illegal confiscation.¹⁴⁷

167. The proposed amendment by the Committee on Legal Affairs would have added the following language, in relevant part, to the end of Article 14(2):

¹⁴² TRIPS Agreement – Geographical Indications, Official Publication of the European Commission, p. 23. Exhibit US-19.

¹⁴³ European Commission, Directorate General Trade, Report to the Trade Barriers Regulation Committee, TBR Proceedings concerning Canadian practices affecting Community exports of *Prosciutto di Parma*, p. 35 (1999). Exhibit COMP-13.

¹⁴⁴ Review Under Article 24.2 of the Application of the Provisions of the Section of the TRIPS Agreement on Geographical Indications, Responses to the Checklist of Questions, Addendum, Council for Trade-Related Aspects of Intellectual Property Rights, IP/C/W/117/Add.10 (26 March 1999), p. 13 (EC response to question 36). The EC has also explained that "a geographical indication must be used [in order to maintain rights]." *Id.* at p. 12 (response to question 30).

¹⁴⁵ Council Regulation (EC) No 692/2003 of 8 April 2003 amending Regulation 2081/92, OJ L 99, July 14, 2003, p. 1. Exhibit COMP-1.h.

¹⁴⁶ Proposal for a Council Regulation amending Regulation (EEC) No. 2081/92 on the protection of geographical indications and designations of origin for agricultural products and foodstuffs, presented by the Commission of the European Communities, 2002/0066 (Brussels, March 15, 2002), p. 4. Exhibit US-20.

¹⁴⁷ Opinion of the Committee on Legal Affairs and the Internal Market for the Committee on Agriculture and Rural Development on the proposal for a Council regulation amending Regulation (EEC) No 2081/92 on the protection of geographical indications and designations of origin for agricultural products and foodstuffs, European Parliament, 2002/0066(CNS) (10 September 2002), p. 14. Exhibit US-21. See also Exhibit COMP-14.

This Regulation shall be without prejudice to the right accorded under the laws of the Member States and/or Council Regulation (EEC) No 40/94 of 20 December 1993 on the Community trade mark to bring proceedings for infringement of the right embodied in a trade mark conforming to the conditions set out in the first sentence of this paragraph on account of the use of a designation of origin or geographical indication subsequent to that trade mark, be it under the civil, administrative, or criminal law of the Member States.¹⁴⁸

168. This proposed amendment would have incorporated the substantive disciplines of EC trademark law into the GI Regulation, thereby providing for the ability of trademark owners to exercise their exclusive rights. In particular, the amendment would have provided for the rights of the owner of a valid prior registered trademark to prevent the use of a similar or identical geographical indication when such use would result in a likelihood of confusion with the trademark.

169. Unfortunately, the amendment was not adopted, and the defect in the EC GI Regulation remains in place.

5. Conclusion with respect to the GI Regulation's inconsistency with Article 16.1

170. To conclude, TRIPS Article 16.1 requires that owners of registered trademarks have the exclusive right to prevent confusing uses by others. The EC GI Regulation does not permit owners of registered trademarks to exercise those rights. Therefore, the EC GI Regulation is inconsistent with the EC's obligations under Article 16.1 of the TRIPS Agreement.

D. THE EC GI REGULATION IS INCONSISTENT WITH ARTICLE 22.2 OF THE TRIPS AGREEMENT

171. Article 22.2 of the TRIPS Agreement requires that "[i]n respect of geographical indications, Members shall provide the legal means for interested parties to prevent:

- (a) 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 geographic area other than the true place of origin in a manner which misleads the public as to the geographic origin of the good;
- (b) any use which constitutes an act of unfair competition within the meaning of Article 10bis of the Paris Convention (1967).

172. As discussed above in the context of national treatment, Article 22.2 requires WTO Members to provide these legal means directly to all "interested parties", a requirement that is not met by simply providing such means to WTO Members at the government-to-government level.

173. "Interested parties" is not defined in the TRIPS Agreement, but Article 10 of the Paris Convention, concerning false indications of geographical source, provides useful context that an "interested party" includes a producer or seller established in the region falsely indicated as the source. As discussed in the national treatment context, this includes producers or sellers in regions located outside the territory of the country where the false indication of source is being used.

174. The EC GI Regulation does not provide the legal means required by Article 22.2 to interested parties in at least two respects. First, as discussed above, interested persons with GIs outside the EC do not have the legal means to register and protect their own GIs – that is, those GIs in their country of origin – on an EC-wide basis under the GI Regulation. They therefore do not have the legal means

¹⁴⁸ Exhibit US-21, at pp. 13-14.

under the GI Regulation to prevent misleading uses under Article 22.2(a) or acts of unfair competition under Article 22.2(b) of the TRIPS Agreement "[i]n respect of geographical indications."

175. It is important to recall that Article 2(1) of the GI Regulation specifies that "Community protection of designations of origin and of geographical indications of agricultural products and foodstuffs shall be obtained in accordance with this Regulation."¹⁴⁹ The broad protections laid out in Article 13 of that Regulation appear to encompass those that are required by Article 22.2 of the TRIPS Agreement. And, in fact, some interested parties – those with geographical indications located in the EC – do have the legal means to protect their GIs against misleading uses and acts of unfair competition through the registration process.

176. But for interested parties with geographical indications located outside the EC, the legal means to protect their GIs on a uniform basis throughout the territory of the EC are theoretically available only if the WTO Member in which their products are produced adopts an EC-specified system of GI protection and offers reciprocal treatment to EC goods.¹⁵⁰ With respect to interested parties in other WTO Members that do not satisfy these requirements, therefore, the EC GI Regulation fails to provide any legal means whatsoever to prevent misleading uses or unfair acts of competition on an EC-wide basis.

177. Further, even if that Member adopted the appropriate system and offered reciprocity to the EC, the interested party would continue to depend on its Member government to intercede on its behalf and consult with any affected EC member State, make a determination that the interested party's application meets the requirements of the GI Regulation, certify to the Commission that it has the proper protection system and inspection structure in place, and transmit the application to the Commission.¹⁵¹ Therefore, the EC GI Regulation does not provide the legal means to prevent misleading uses on an EC-wide basis to "interested parties" from all WTO Members.

178. Thus, an interested party from a Member that does not have an EC-equivalent system and that does not offer reciprocity does not have the legal means required by Article 22.2 of the TRIPS Agreement. Further, there is nothing that this interested party can do to obtain the "legal means" guaranteed him under the TRIPS Agreement, because it is not in a position, either to establish a full EC-style GI system in his home country, or to provide reciprocal treatment. In addition, even if such a system were in place, the interested party would need to rely on its own government to act on an application, which that government may or may not have the infrastructure or the political inclination to do. Consequently, the GI Regulation provides a possible method – and one that is highly intrusive and costly – only for other Members to obtain Article 22.2 protection on behalf of interested parties in their territory. It does not provide those legal means directly to those interested parties, as required by Article 22.2.

179. Moreover, there is a separate and possibly more serious concern with respect to interested parties' ability to object to the registration of GIs under the EC GI Regulation. As discussed above in the context of national treatment, the ability to object to a registration is an important element of the legal means required to prevent misleading uses and acts of unfair competition under Article 22.2 of the TRIPS Agreement. This is because once a GI is registered and protected, there appears to be no ability to prevent or limit its use through the EC,¹⁵² even if it is or becomes misleading or confusing. In spite of this, interested parties from third countries cannot object directly to the registration of a GI. Rather, they must request their government to do so.¹⁵³ However, their government may or may not

¹⁴⁹ Emphasis added.

¹⁵⁰ Article 12 of the GI Regulation.

¹⁵¹ Article 12 of the GI Regulation.

¹⁵² Recall that this is an EC Regulation, which is immediately applicable in all EC member States.

¹⁵³ Articles 12b and 12d of the GI Regulation.

have the infrastructure or the inclination to present the objection to EC officials. Making the exercise of private rights contingent on actions of government entities outside the right holder's control fails to provide legal means to exercise a private right, as required by Article 22.2 of the TRIPS Agreement.

180. Further, Article 12d limits the persons who can object to an application for registration submitted by an EC member State to persons from "a WTO member country or a third country recognized under the procedure provided for in Article 12(3)", *i.e.*, satisfying the conditions of equivalency and reciprocity described earlier in this submission. It appears that interested parties from WTO Members who do not satisfy the conditions of equivalency and reciprocity may not object to the registration of a GI, and therefore do not have the legal means to prevent misleading uses required by Article 22.2 of the TRIPS Agreement.

181. In addition, the GI Regulation provides, under Articles 7, 12b and 12d that only those with a "legitimate interest" or a "legitimate economic interest" have a right to object. As discussed above, the Paris Convention provides that an interested party can be any producer or seller established in the region falsely indicated as the source in a given territory, which may be different from the region in which the false indication is being used. To the extent that the GI Regulation's requirement means that the person must have an economic interest in the EC, it is inconsistent with the TRIPS Agreement obligation to make legal means available to all "interested parties" and not just those established or doing business in the EC.

182. Finally, the possible grounds for objection – that the registration of the name "would jeopardize the existence of an entirely or partly identical name or of a mark or the existence of products which have been legally on the market for at least five years"¹⁵⁴ – is unduly restrictive and does not provide legal means to object to a registration in order 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 geographic area other than the true place of origin in a manner which misleads the public as to the geographic origin of the good" or "any use which constitutes an act of unfair competition within the meaning of Article 10bis of the Paris Convention (1967)."

183. Consequently, the EC GI Regulation fails to provide the required legal means to interested parties as required by Article 22.2.

E. THE EC GI REGULATION IS INCONSISTENT WITH THE EC'S ENFORCEMENT OBLIGATIONS UNDER THE TRIPS AGREEMENT

184. Part III of the TRIPS Agreement – "Enforcement of Intellectual Property Rights" – contains a broad range of obligations with respect to the enforcement of intellectual property rights covered by the Agreement, which includes trademark rights and rights in geographical indications. As described in section IV.C of this submission, the EC GI Regulation denies the owner of a registered trademark its Article 16.1 exclusive right to prevent all third parties from using the same or similar signs for identical or similar goods as those for which the trademark is registered where such use would result in a likelihood of confusion. Further, the EC GI Regulation does not, with respect to GIs, provide the required legal means to interested parties to prevent misleading uses or acts of unfair competition. Therefore, as summarized below, that Regulation is also inconsistent with numerous TRIPS Agreement obligations to enforce intellectual property rights.

185. Article 41.1 requires that enforcement procedures be available to permit effective action against any act of infringement of intellectual property rights, and expeditious remedies to deter further infringements. In contrast, under the EC GI Regulation, an owner of a registered trademark does not have any procedures available to him to take action against infringement of his trademark by

¹⁵⁴ Article 7(4) of the GI Regulation.

a registered GI, and has no remedies available to him to deter such further infringements. The same is true of interested parties with GIs based in territories other than the EC.

186. Article 41.2 requires that enforcement procedures be fair and equitable, and not be unnecessarily complicated or costly, or entail unreasonable time-limits or unwarranted delays. Article 41.4 requires the opportunity for judicial review. Neither of these obligations are satisfied with respect to owners of registered trademarks trying to enforce their Article 16.1 rights *vis-à-vis* a confusing GI or to interested parties with GIs based in territories other than the EC.

187. Article 42 requires that civil judicial procedures concerning the enforcement of "any intellectual property right" be made available to rightholders. Article 44.1 requires that judicial authorities have the authority to issue orders to desist from infringement. As detailed in this submission, no such procedures or injunctions are available to owners of registered trademarks *vis-à-vis* confusing signs that are registered as GIs. And no such procedures or injunctions are available to holders of rights in GIs located in WTO Members that do not satisfy the equivalency and reciprocity requirements of the GI Regulation.

188. Consequently, the EC GI Regulation is inconsistent with the TRIPS Agreement obligations to enforce intellectual property rights, including Articles 41.1, 41.2, 41.4, 42, and 44.1.

F. THE EC GI REGULATION IS INCONSISTENT WITH ARTICLE 65.1 OF THE TRIPS AGREEMENT

189. Under Article 65.1 of the TRIPS Agreement, the EC was obligated to apply the provisions of the TRIPS Agreement as of one year after the date of entry into force of the WTO Agreement, *i.e.*, one year after January 1, 1995, or as of January 1, 1996.

190. As demonstrated in this submission, the EC GI Regulation is still inconsistent with several provisions of the TRIPS Agreement, and consequently also violates Article 65.1 of the TRIPS Agreement.

V. CONCLUSION

191. For the foregoing reasons, the United States requests that the Panel find that the EC GI Regulation is inconsistent with the EC's obligations under the TRIPS Agreement and the GATT 1994, and to recommend that the EC bring its measure into conformity with those obligations.

ANNEX A-3**ORAL STATEMENT OF THE UNITED STATES
FIRST SUBSTANTIVE MEETING**

(23 June 2004)

1. Good morning, Mr. Chairman and members of the Panel. We have asked that you review the EC's GI Regulation – after five years of fruitless consultations – because it presents two major problems seriously affecting the rights of all WTO Members.

2. The Regulation sets up what the EC has characterized as a powerful system for registering and protecting geographical indications for agricultural products and foodstuffs sold in the substantial EC market. According to the EC, this system bestows significant commercial benefits on those persons and products able to qualify for protection. The EC has claimed that this system allows qualifying EC products to command higher prices in the EC market and to compete favorably based on quality. Indeed, so commercially meaningful is this GI protection that, in the eyes of the EC, it helps make it politically feasible to reduce or eliminate the EC's agricultural subsidies.

3. The problem is that the Regulation denies equal access to this powerful system of protection for *non-EC* nationals and products. Specifically, the Regulation puts in place a mandatory legal structure that directly allows only EC nationals to register and protect their GIs for EC products. Non-EC nationals, by contrast, cannot apply at all, unless their government has adopted a system of GI protection that (1) mirrors the EC's and (2) provides reciprocal protection to EC products – in other words, the "equivalence" and "reciprocity" requirements. Further, the non-EC national, unlike the EC national, can neither apply for, nor object to, a GI registration directly. Rather, the non-EC national – unlike the EC national – can only hope that his government will voluntarily put procedures in place to process objections according to EC standards and will be willing to try to convince the EC that (1) the government's GI protection system satisfies the EC's requirements and that (2) the particular GI should be registered.

4. As we detailed in our first submission, these aspects of the GI Regulation – the requirement of reciprocity and equivalence and the requirement for government-level intervention – discriminate in favor of EC nationals and products and against the nationals and products of other WTO Members. Further, with respect to countries that do happen to have an EC-equivalent system of GI protection, the GI Regulation discriminates in favor of nationals and products of those countries and against the nationals and products of WTO Members that do not have such a system. In other words, the EC's GI Regulation violates the national treatment and MFN obligations of the TRIPS Agreement, the Paris Convention, and the GATT 1994. For some of these same reasons, the GI Regulation does not provide the legal means required under the TRIPS Agreement for the protection of geographical indications.

5. Further, the GI Regulation grants these significant protections to EC nationals and products at the expense of rights that the EC is obligated to provide to owners of registered trademarks under the TRIPS Agreement. The TRIPS Agreement requires that WTO Members provide to the owners of registered trademarks the *exclusive* right to prevent confusing uses of similar or identical signs by *all third parties*. But under the GI Regulation, registered GIs are immune from the exercise of this right. Under the GI Regulation, if a person is using a GI that consists of the same or similar signs as a prior registered trademark – and does so in a manner that causes confusion with the trademark – the owner of the registered trademark is powerless to prevent that use. All that owner can do is continue to use his trademark in commerce, watching as the ability of that trademark to distinguish his goods is eroded away. This situation is simply not permitted by the TRIPS Agreement.

6. My oral statement this morning will focus on the two principal issues outlined above, although I will also briefly touch on other arguments raised by the EC. In sum, despite its denials and arguments to the contrary, the EC's first submission confirms the WTO inconsistencies noted above in every respect.

National Treatment/MFN

Requirements of Equivalence and Reciprocity

7. With respect to the lack of national and MFN treatment in the EC's GI Regulation, there are a few key questions that this Panel must examine. First, and astonishingly, the EC now claims that WTO Members do not have to satisfy the equivalence and reciprocity requirements. Yet, these requirements are clearly set out as preconditions for registering *all* third country GIs in Articles 12 and 12a of the EC GI Regulation. According to the EC, those requirements would "prejudice" the WTO Agreements, under Article 12(1). The United States is, of course, pleased that the EC has finally acknowledged that these requirements are inconsistent with WTO obligations.

8. Nevertheless, we remain skeptical. Article 12(1) of the GI Regulation clearly says that the Regulation may apply to products from a third country only if that country meets certain conditions, among them equivalence and reciprocity. These requirements apply with respect to GIs from *any* third country. There is no exclusion for WTO Members in Article 12(1), even though WTO Members are specifically mentioned in other parts of the Regulation. Therefore, there is every reason to believe that Article 12(1) means what it says. Of course, the EC reserves its flexibility to protect specific non-EC GIs through bilateral agreements, so Article 12(1) also states that it is "without prejudice to international agreements." But there is nothing in Article 12(1) to suggest that WTO Members are excluded from its requirements.

9. Further, Article 12a of the Regulation sets out the sole process under the GI Regulation for registering non-EC GIs. But Article 12a provides such a procedure only for countries that have satisfied the requirements of Article 12(1). Article 12a(1) says that a *third country fulfilling the conditions of Article 12(1)* may send a registration application to the Commission. Article 12a(2) describes what the *third country referred to in Article 12(1)* must do to apply for a GI registration on behalf of its nationals. If, as the EC suggests, Article 12(1) does not apply to WTO Members, Article 12a also does not apply to WTO Members, with the consequence that there is *no system whatsoever* under the GI Regulation for registering GI products from WTO Members. The EC has asserted that certain of the "third country" procedures in Article 12a apply to WTO Members, but that other references to "third countries", inexplicably, exclude WTO Members. There is simply no basis in the Regulation for picking and choosing which provisions apply to WTO Members and which do not.

10. Not only that, but until recently, the EC itself claimed that WTO Members *do* have to satisfy the reciprocity and equivalence requirements. We have held over five years of consultations, focused to a significant degree on the WTO-consistency of the reciprocity and equivalence requirements. *Not once* in those five years did the EC mention that these requirements do not apply to WTO Members.

11. To the contrary, the EC's clearly articulated view – at least prior to last month in this proceeding – was that (1) agricultural products from a WTO Member are not eligible for GI registration in the EC unless that Member satisfies the reciprocity and equivalence requirements; and (2) the United States, for one, does not satisfy those requirements, and so its nationals cannot register their US GIs.

12. We note, for instance, the written submission of the EC to the TRIPS Council, in September 2002, in which the EC, in describing its GI Registration system in the context of TRIPS obligations discussed the "fact that the EU register for GIs on foodstuffs does not allow the registration of foreign GI unless it is determined that a third country has an equivalent or reciprocal system of GI protection."¹ Or its statement in that same document that GI "registration systems should be primarily aimed at the identification of *domestic* GIs."² Likewise, its admission that the EC GI procedure requiring EU member States to verify that products meet the GI definition is "ill-adapted to foreign GIs."³

13. In addition, there are a number of statements from EC officials in connection with the amendments to the EC GI Regulation last year that emphasize the importance to the EC of requiring reciprocity and equivalence as a condition of registering GIs from non-EU countries. This is touted as a means of encouraging the adoption of the EC GI protection system abroad.⁴ The references are to "non-EU" countries, not "non-WTO Members."

14. This Regulation has been in place and enforced for almost 12 years. In that time, according to the EC itself, over 640 EC geographical indications have been registered.⁵ How many third country GIs have been registered? To our knowledge, none. This is not too surprising, since, at least up until last month, the EC has been confirming to WTO Members the plain meaning of the GI Regulation – that their nationals may as well not even apply for a GI unless the WTO Member is prepared to convince the Commission that it has a GI system that is equivalent to the EC's system and that offers reciprocal treatment to EC products. The EC has in effect been demanding that WTO Members adopt its system of GI protection, thereby trying to extract from its trading partners through the GI Regulation what it could not get during the Uruguay Round negotiations.

15. And now the EC wants this Panel to find that the exact opposite is true, despite the presence of the same GI Regulation language – "without prejudice to international agreements" – that has been in place for almost 12 years and despite the explanations provided by the EC itself during five years of consultations and in several other fora – simply because the EC is now, for purposes of this dispute, saying so. The EC amended this regulation last year with respect to some aspects of registration and objection, but, notably, left this language regarding equivalence and reciprocity untouched.⁶

16. With all due respect, this Panel should examine very thoroughly the factual basis for the EC's newfound – and unsupported – interpretation of its Regulation. If the EC can objectively establish that no requirements of reciprocity and equivalence apply to WTO Members – despite the clear language to the contrary – this clarification will be welcome. But mere assertions by the EC for purposes of this dispute are insufficient. To the contrary, the plain meaning of the Regulation, supported by the repeated assertions of the EC itself to WTO Members, demonstrate the contrary.

Equivalence by another name

17. Further, even if the Panel were to agree with the EC that Article 12(1) does not apply to WTO Members and that there is an alternative registration process for WTO Members somewhere in the GI

¹ IP/C/M/37/Add.1, p. 79.

² *Id.*, p. 80 (emphasis added).

³ *Id.*, p. 80.

⁴ See, e.g., "Food quality: Commission proposes better protection for geographical names", IP/02/422, Brussels, March 15, 2002. Exhibit US-22. See also Exhibit US-20, p. 3; Exhibit COMP-14, pp. 20, 21, 23.

⁵ See www.europa.eu.int/comm/agriculture/publi/capleaflet/cap_en.htm.

⁶ See Council Regulation (EC) No 692/2003 of 8 April 2003 amending Regulation 2081/92, OJ L 99, July 14, 2003, p. 1. Exhibit COMP-1.h.

Regulation, the EC nonetheless admits that Article 12a(2) requires WTO Members to submit a declaration that certain specific inspection structures are "established" on its territory.

(Parenthetically, as I noted a moment ago, Article 12a(2) applies *only* to third countries that have been deemed to satisfy the requirements of reciprocity and equivalence under Article 12(3), an article that the EC now says does not apply to WTO Members. So it is not clear on what basis this Article applies to WTO Members at all, under the EC's new interpretation. But, assuming for the sake of argument that it does,)

This requirement for inspection structures is tantamount to a requirement of equivalence, the same requirement that the EC itself appears to admit is WTO-inconsistent.

18. The purported function of the required "inspection structures", which are also required of EC member States under Article 10, is to ensure that any agricultural product or foodstuff bearing a protected name complies with the relevant specification.⁷ Under Article 10, the inspection authorities of a country must have permanent qualified staff and resources "necessary to carry out inspection of agricultural products and foodstuffs bearing a protected name." One of the requirements of Article 10 is that if the inspection body establishes that an agricultural product bearing a protected name does not meet the criteria in the specification, it must take all necessary steps to ensure that the EC GI Regulation is complied with.

19. So, in order for its nationals to qualify for GI protection, a WTO Member must establish an inspection structure with the authority and the resources to enforce the EC's GI Regulation and to ensure that any agricultural product or foodstuff bearing a protected name qualifies for that name.

20. Although the EC calls this requirement a product "specification", as if it were related solely to whether the product itself qualifies to be a geographical indication, this is not really a product "specification" in the usual sense. Instead, it is a requirement that WTO Members adopt the same bureaucratic structures related to the protection of GIs as the EC has. But other WTO Members have the freedom under the TRIPS Agreement to set up a system that is different from the EC's for protecting GIs, and the EC cannot make protection of GIs conditional on other Members' adopting an EC-style system. The United States, for one, has not adopted the EC's approach to protecting GIs, and does not necessarily require an EC-style inspection structure. This fact, however, should not prevent US nationals from obtaining GI protection in the EC on the same basis as EC nationals.

21. In brief, the EC's requirement that the United States establish EC-style inspection structures to enforce GIs is simply equivalence by another name: The EC will not protect the GIs of US nationals unless the United States establishes the same inspection structures, with the same responsibilities and resources, that are required of EC member States. The EC has apparently recognized that it cannot require equivalence from WTO Members as a condition for protecting their GIs. For the same reason, it cannot require WTO Members to establish EC-style inspection structures to enforce GIs as a precondition.

The GI Regulation discriminates against certain nationals

22. The EC claims that its GI Regulation discriminates based on the *location* of the geographical area covered by the GI, and not on the basis of *nationality*.⁸ This razor-thin distinction is not meaningful, and is certainly not a basis on which to determine whether fundamental TRIPS Agreement obligations are being respected. To the question, "whose GI rights are overwhelmingly

⁷ Article 10(1) of the EC GI Regulation.

⁸ E.g., EC First Written Submission, para. 125.

connected to agricultural products and foodstuffs obtained or produced in the United States," the answer is obviously, "nationals of the United States." To the question, "whose are overwhelmingly connected to products produced in the EC," the answer is, equally obviously, "EC nationals." No one can be under any illusion that, in providing one set of requirements for agricultural products grown in the EC and a more burdensome set for agricultural products grown outside the EC, non-EC nationals are being treated less favorably than EC nationals with respect to the protection of their geographical indications. One might just as easily argue that a regulation directed at large white birds with long necks swimming in Lac Leman is not directed at swans, or that a regulation directed at birds that quack has nothing to do with ducks. Rights in GIs, perhaps to a greater extent than other forms of intellectual property, are inherently related to the territory of the national.

23. A US national growing a special onion in a particular region in the Southeast United States is, under the TRIPS Agreement, entitled to obtain geographical indication protection for his product on terms that are at least as favorable to those accorded to, for example, French nationals for their products. That US national, who has perhaps built up the quality and reputation of his product over many years, is simply not in the same position as a similarly situated French national in France to apply for, register and protect his GIs in the EC. Nor does he have any means of obtaining the same treatment as his French counterpart. He can't simply move his farm to France and qualify for GI protection, because the reputation and quality of his product is connected with its geographic area in the United States. It is simply not enough for the EC to assert that the location of the geographic area has nothing to do with nationality: this US person cannot protect his GI in the EC under the GI Regulation *because* of his US location. Further, if previous WTO dispute resolution findings with respect to national treatment in the goods area provide any guidance, US nationals are entitled to the best treatment granted to any EC national, which is the treatment granted the EC national with a GI in the EC.

24. To highlight the problem further, the Panel should recall that, under the TRIPS Agreement and the Paris Convention, "nationals" of a Member include legal persons who have a commercial establishment in that Member. So, if the US national at issue is a corporation or partnership running an onion farm in the United States, the only way that it could get the same treatment as a French national would be for it to establish a farm growing onions in the EC. But this is tantamount to a requirement that the farm move or expand its commercial establishment to the EC, which would mean that it would qualify under the TRIPS Agreement as an EC national.

25. In other words, as applied to legal persons such as a farm, "national" treatment for US nationals is available under the GI Regulation only if the US national *becomes an EC national*. (Of course, such a move would eliminate the ability to register the foreign GI, as the goods would no longer have a quality, reputation, or other characteristics essentially attributable to their location.)

26. This requirement subverts the whole purpose of the national treatment requirement. The EC is supposed to give national treatment to nationals of the United States, not give national treatment to any US national who agrees to become an EC national. Yet, this is the practical effect of the EC's restrictive definition of "national treatment" and "most favored nation treatment".

27. It is also one reason that the EC is wrong to argue that the US "national treatment" claim does not include Article 2, paragraph 2 of the Paris Convention. This paragraph of the Article 2 national treatment provision prohibits requiring establishment in the country where protection is claimed as a condition of enjoying rights. In this instance, the GI Regulation's requirement for a commercial establishment in Europe as a precondition to claiming the same rights as nationals is simply another aspect of its denial of national treatment to nationals of other WTO Members, a claim clearly within this Panel's terms of reference.

Requirement that the WTO Members intervene on behalf of their nationals

28. As the US first submission stated, another way the EC GI Regulation denies national and MFN treatment, and also fails to provide legal means for interested parties to protect GIs, is its requirement that a non-EC national's *government* take action in order for its *national* to protect its GI rights. For GI registration applications, the WTO Member government has to determine that the application meets the EC GI Regulation's requirements, has to demonstrate to the EC how the GI is protected in that country, and has to demonstrate that it has established the necessary "inspection structures", discussed earlier. And this is assuming, for the sake of argument, that the WTO Member does not also have to convince the Commission that it has satisfied the requirements of equivalence and reciprocity. Even for objections to GI applications, the WTO Member has to process that objection and present it to the Commission. The non-EC interested party has no ability to do that himself directly.

29. Now, the EC has a glib response to this argument: "The United States should not invoke its unwillingness to cooperate", says the EC, "to demonstrate a national treatment violation by the EC". This response avoids the issue. The issue is not whether the United States itself is willing to, as the EC puts it, "cooperate" with the EC's GI registration process. The issue is whether, under the GI Regulation, a non-EC *national* has the same direct means to register his GI in the EC or to object to the registration of a GI in the EC, as does the EC national. He does not: the non-EC national has to go through a non-EC government that, unlike EC member States, is under no obligation to process GI registration applications or objections.

30. The EC tries to sell this requirement as "equal" treatment, because EC nationals must also apply to their member State governments for registrations and objections, and EC member States also have to have inspection structures in place. But this is a false "equality". The EC can, and in the GI Regulation does, impose substantive and procedural requirements on its member States. The GI Regulation, therefore, directly provides the means in the EC for EC nationals to register their GIs and to object to the registration of GIs. The TRIPS national treatment requirements are not satisfied by imposing the same requirements on WTO Members as the EC imposes on its member States. The TRIPS requirement is that the *nationals* of WTO Members are entitled to treatment at least as favorable as that accorded to EC nationals.

31. In sum, the GI Regulation provides the direct means, through mandatory enforceable rules imposed on its member States, and through the infrastructure and bureaucracy established under the European Union, for EC nationals to register their GIs and to object to the registration of GIs. A non-EC national, by contrast, does not have those means, but must hope that its government will voluntarily put in place the necessary rules, regulations and infrastructure to process EC GI applications and objections, and will advocate to the Commission on behalf of its nationals.

32. This does not provide equal treatment to non-EC nationals, and it does not provide non-EC interested parties with the legal means to protect GIs.

33. As the US and EC first submissions demonstrate, the issues we have just discussed cut across a number of the US claims, and demonstrate how, despite the EC's arguments to the contrary, the EC GI Regulation denies national treatment and most-favored nation treatment with respect to both the nationals and the products of other WTO Members, and fails to provide the legal means to protect GIs. Before moving on to the trademark issue, we do want to respond briefly to a number of the EC's arguments that are specific to particular claims.

Responses to other arguments

34. First, the GI Regulation says that any EU national who is "legitimately concerned" may object to a GI registration, while non-EC nationals must have a "legitimate interest" in order to object. The EC responds that there is no difference between the two standards. The United States submits to you, however, that a person may be "concerned" without his concern rising to the level of a "legitimate interest". The "legitimate interest" standard for non-EC nationals was introduced just last year; if the EC meant for the standard to be the same, why not use the same words? The EC has not sustained its burden of rebutting the presumption that this amounts to less favorable treatment.

35. Second, with respect to the special rule that non-EC GIs must be accompanied by a country of origin indication on its label, the EC claims that this rule applies to both EC and non-EC products, and that, in any case, country of origin marking requirements can never give rise to a national treatment violation. The provision at issue, however, is in Article 12(1), which deals exclusively with the authorization of non-EC GIs, not EC GIs. In addition, this provision is not a general country of origin requirement as described in Article IX of the GATT 1994; rather, it is a special rule that is triggered by the fact that a third country product is characterized as a GI, and is intended to encumber the non-EC GI itself.

36. Third, the EC argues that there is no MFN violation because the GI Regulation has not yet been applied to discriminate among WTO Members. But the United States is challenging this measure on its face, not any particular application of the measure. The fact is that Articles 12(1) and 12a of the GI Regulation are designed purely to favor nationals from countries that have an EC-style GI protection system, including inspection structures, and to disfavor nationals from countries that don't. This is contrary to MFN obligations.

37. The EC also argues that its member States are entitled to treat other nationals from the EC more favorably than nationals from other WTO Members, because they are doing so pursuant to an EC regulation. But each EC member State has an obligation to provide MFN treatment *vis-a-vis* nationals of *all* other WTO Members. That they may be acting pursuant to an EC regulation does not excuse them from this obligation.

38. Fourth, the EC claims that the less favorable treatment provided non-EC products is excused by Article XX(d) of the GATT 1994. The EC has not made out a *prima facie* case that this is so, but has merely asserted it. This Panel should reject this argument on that basis alone. The GI Regulation does not satisfy the requirements of Article XX(d): it is not necessary to ensure compliance with laws or regulations that are not inconsistent with the GATT 1994.

39. Finally, the EC claims that the enforcement obligations of the TRIPS Agreement do not apply to the GI Regulation, because that Regulation deals only with the acquisition and enforcement of intellectual property, and not with enforcement. This is incorrect. The TRIPS Agreement requires enforcement procedures to permit effective action against any act of infringement of the covered intellectual property rights. The GI Regulation prevents trademark owners, for instance, from enforcing their Article 16.1 rights with respect to registered GIs. This is plainly inconsistent with the obligation to provide such enforcement.

Trademark Rights

40. We would like to spend the balance of our time discussing the trademark right issue. We start by noting that, within a span of just a few pages, the EC's submission states that: (1) there is no hierarchy between GIs and trademarks; (2) the United States is trying to establish a hierarchy of trademarks over GIs; and (3) the proper balance is to provide GIs with rights superior to trademarks: that is, that TRIPS permits GIs to prejudice "*any right*" of trademark owners, with the only exception

being certain grandfathered trademarks that can be "used" in commerce but that are deprived of the critical ability to exclude confusing uses by all others.⁹ Interestingly, the EC derives this far-reaching ability to prejudice all trademark rights from, of all places, an article providing for exceptions, not to trademark rights, but to GI rights.

41. The EC's assertions notwithstanding, the United States agrees that there is no hierarchy between trademarks and GIs. In fact, the United States took great pains in its first submission to make it clear that is important to give *all* of the TRIPS provisions their full scope. There is no inconsistency between the obligation to provide trademark owners with the right to exclude uses by all others of signs that are likely to confuse consumers, on the one hand, and the obligation to give interested parties the ability to prevent misleading uses of GIs, on the other. The issue is not whether one form of intellectual property is "superior" to another, as the EC claims, but how to provide the rights set forth in the TRIPS Agreement in a manner that gives full affect to all of its provisions.

42. In other words, the EC's characterizations of the US position are wrong. We'd like to emphasize certain basic points that set the relationship between trademarks and GIs in context. First, trademarks that lack distinctiveness or that mislead consumers as to the origin of goods may, under the TRIPS Agreement and the Paris Convention, be refused registration. If they are registered, such marks may be subject to invalidation. The EC's concerns on this score, therefore, are misplaced. The United States was clear in its first submission that this dispute concerns valid prior trademarks, not trademarks that are subject to invalidation under the TRIPS Agreement and the Paris Convention.¹⁰

43. Second, despite the EC's suggestions to the contrary, it is not the position of the United States that a trademark owner will necessarily succeed in an action against a GI owner. For example, if a trademark owner brings an infringement action against the user of a similar or identical GI, the trademark owner might not be able to prove that the particular use of the GI would result in a likelihood of confusion. Or the GI owner might be able to show that the trademark is subject to invalidation.

44. With this understanding as a backdrop, let us now respond briefly to the EC's arguments with respect to trademark rights.

Article 14(3) of the EC GI Regulation

45. The EC appears to argue that, under the GI Regulation, owners of registered trademarks do not need the Article 16.1 right to exclude all others from confusing uses of their signs, for two reasons. First, the EC argues that it is unlikely that any trademarks would be registered that could be confused with a GI (*i.e.*, the risk of confusion is "limited").¹¹ Second, the EC argues that Article 14(3) allows it to prevent the registration of all geographical indications that are confusing *vis-a-vis* certain trademarks.

46. But neither of these arguments addresses the main point, which is that the TRIPS Agreement requires that the owner of a registered trademark be able to exclude all others from the confusing use of identical or similar signs. And that the EC GI Regulation does not accord or even accommodate that right with respect to registered GIs.

47. The EC's argument, in essence, is to concede that owners of registered trademarks are being deprived of their TRIPS Agreement rights, but to claim that they do not *need* those rights, because

⁹ EC First Written Submission, para. 301.

¹⁰ *E.g.*, US First Written Submission, para. 135.

¹¹ EC First Written Submission, para. 275.

Article 14(3) of the EC GI Regulation ensures that confusing GIs will not be registered in the first place.

48. This is not good enough, nor is it true. The TRIPS Agreement requires that trademark owners be given a certain exclusive right, and the EC cannot legitimately respond that the right can be withheld because it is unnecessary.

49. Moreover, it is untrue that the Article 16.1 right to exclude is unnecessary. First, the EC argues that few trademarks that contain or consist of a GI are registrable, and that the United States is therefore making much ado about nothing. Even if the Panel accepts the unsupported assertion that the number of trademarks affected is small, however, it is beyond dispute that those registered trademarks – whatever their number – must be accorded Article 16.1 rights. It is no defense to a WTO violation to claim that the number of specific rights affected is small.

50. In addition, however, it is simply untrue that valid registered trademarks cannot incorporate certain "geographical" elements. Take the hypothetical example of an EC registered trademark, "Luna", used in connection with cheese. Assume that the residents in the small town of Luna, Spain, start making cheese after the "Luna" mark was registered. If that cheese subsequently qualifies for GI protection, it would be eligible for registration as a GI, and, once registered, the owners of the "Luna" trademark would be powerless to stop the rightholders of the "Luna" GI from using the "Luna" name in a way that confuses the consumer. This is simply not a result permitted by Article 16.1 of the TRIPS Agreement. This is only a hypothetical, admittedly, but in fact there are thousands of registered trademarks around the world that incorporate or happen to sound like geographical names.

51. Second, contrary to the EC's arguments, Article 14(3) of the GI Regulation does not satisfy the obligations under Article 16.1 of the TRIPS Agreement. Article 14(3), the Panel will recall, allows the EC to reject GI registrations where, in the light of a trademark's reputation and renown and the length of time it has been used, the GI registration is liable to mislead the consumer as to the identity of the product.

52. This standard does not satisfy the TRIPS Agreement obligations for several reasons. To begin, it applies criteria that are different from and more restrictive than Article 16.1. Article 16.1 requires that the owner of a registered trademark have the exclusive right to prevent all uses of identical or similar signs that result in a likelihood of confusion. This is not a right reserved solely to registered trademarks of a certain reputation or of any particular renown, nor is there any requirement under Article 16.1 that the trademark be used for any length of time. Article 16.1 articulates a right that is owed under the TRIPS Agreement to the owner of *any* valid registered trademark. Article 14(3), by contrast, comes into play only where there exists a trademark with a reputation, renown, and history of use.

53. Now, the EC implies that Article 14(3) actually permits the EC to block registration of a GI whenever there is a likelihood of confusion with a registered trademark, regardless of use, reputation or renown of the trademark. But that is not what Article 14(3) says: Article 14(3) clearly requires reputation, renown and use for some period of time. The EC not only confirms this reading in paragraph 290 of its submission, it has also confirmed this obvious meaning in its public explanations of its regulation outside of this meeting room. Thus, although the EC criticizes the United States in this room for characterizing Article 14(3) as requiring "long use", the EC itself uses the phrase "used for a long time" in describing the requirements of Article 14(3) outside this room, as our Exhibit US-23 shows.¹²

¹² See also Exhibit US-24.

54. In any event, Article 14(3) does not, as required by Article 16.1 of the TRIPS Agreement, provide the *trademark owner* with the right to prevent confusing uses. It merely authorizes the *EC* to decline registration of a GI in limited circumstances. These are two different things. Moreover, Article 14(3) does not afford the trademark owner the right to ensure that no *uses* of that GI will result in a likelihood of confusion. Thus, 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.

55. Take the EC's own example of the GI "Bayerisches Bier", which the Commission decided to register despite concerns raised under Article 14(3) that it could confuse the consumer in relation to the "Bavaria" trademark in Holland. The Commission may have well been right that the reputation and renown of those trademarks were not such that the *registration* of the GI "Bayerisches Bier" is liable to mislead the consumer as to the identity of the product. But, once that GI is registered, how does the Commission ensure that the GI is not used in Holland, perhaps translated as "Bavaria Beer" – perhaps using signs similar or identical to those of the "Bavaria" trademark – in a manner that results in a likelihood of confusion? If the use of a GI confuses the consumer, shouldn't the trademark owner have the ability to prevent that use? TRIPS Article 16.1 says yes. The EC GI Regulation says no.

56. In short, the decision under Article 14(3) on whether to register a GI is distinct from the ability of a registered trademark owner to exercise its TRIPS Article 16.1 rights once it is registered. The EC cannot invoke the former to implement the latter.

TRIPS Article 24.5

57. The EC next argues that TRIPS Article 24.5 defines the boundary between trademarks and GIs, and that it specifically permits the EC to prejudice the Article 16.1 right of prior trademark owners – that is, the exclusive right to prevent all third parties from using identical or similar signs in a manner that results in a likelihood of confusion.¹³

58. But the EC is wrong. Article 24.5 is merely an exception to the obligation to protect GIs. Just as there are exceptions to patent obligations in the patent section of TRIPS (Article 30, in Section 5), exceptions to copyright obligations in the copyright section of TRIPS (Article 13, in Section 1), exceptions to trademark obligations in the trademark section of TRIPS (Article 17, in Section 2), there also exist exceptions to GI obligations in the GI section of TRIPS (Article 24, in Section 3). Each of these articles, including Article 24, is explicitly labeled "exceptions", and they are exceptions only to the obligations arising in the section in which they are found.

59. Article 24.5, therefore, is an exception to the scope of protection for GIs, an exception that protects certain grandfathered trademarks. It provides that measures adopted to implement the GI section of TRIPS "shall not prejudice eligibility for or the validity of the registration of a trademark, or the right to use a trademark," on the basis that the trademark is identical or similar to a geographical indication. The plain meaning of this provision is that, in whatever respect the implementation of the GI section of TRIPS might otherwise prejudice the registration, eligibility for registration, or the use of a grandfathered trademark, Article 24.5 will prevent that result. The EC's argument, by contrast, transforms a provision that plainly *protects* certain grandfathered trademarks into a provision that empowers it to *prejudice* trademarks.

¹³ EC First Written Submission, paras. 298, 301.

60. The EC's reading appears to hinge on the Article 24.5 obligation that GI measures not prejudice the "right to use the trademark." The EC argues that the GI Regulation permits the continued "use" of the trademark in commerce, and therefore does not prejudice the "right to use the trademark", satisfying the Article 24.5 requirement. But the EC ignores two important facts.

61. First, Article 24.5 also contains a separate obligation not to prejudice the eligibility for or the validity of the registration of trademarks. The EC seems to think that this is a mere technical requirement that is satisfied by simply maintaining a registration on the books. But under the TRIPS Agreement, "registration" of a trademark means something very specific: the owner of a registered trademark has a certain right to exclude all others from the use of confusingly similar signs. Where, under Article 24.5, a Member cannot prejudice the validity of a trademark registration, the registration remains valid and the rights that go with that registration under Article 16.1 remain in force. In this way, Article 16.1 provides a sword to registered trademark owners, while Article 24.5 shields against anything in the GI section that could adversely affect grandfathered trademarks.

62. Article 24.5 cannot be read so as to require only that a name appear on the list of registered trademarks, but that all rights connected with that registration can be denied. Without the associated rights, "registration" is virtually meaningless.

63. Second, the EC seems to read the Article 24.5 obligation not to prejudice the right to use a trademark as affirmative permission to prejudice the Article 16.1 right to exclude all others from confusing uses. But the fact that the TRIPS negotiators included *both* a prohibition on prejudicing uses *and* a prohibition on prejudicing registration, does not mean that the rights associated with registration are to be ignored.

64. The November 1990 "Brussels Draft" of the TRIPS Agreement contained a predecessor to the current Article 24.5 requiring that registrations of grandfathered trademarks not be refused or invalidated. It made no mention of "use" of the trademarks.¹⁴ This obligation, taken alone, means that registered trademarks remain registered and therefore benefit from their Article 16.1 rights. A reading that the trademarks remain registered but are deprived of all of the rights of registration would make no sense. Subsequently, the negotiators added an *additional* requirement that the use of such trademarks should also not be prejudiced on the grounds that they are similar to a GI. It is this *additional* obligation that the EC is now using to assert that the *only* trademark right preserved under Article 24.5 is the right to use the trademark in commerce, and that Article 24.5 no longer preserves the right to exclude all others. In other words, the EC is reading the language that *clarifies* and *adds* to the protection for grandfathered trademarks as a *denial* of the key protection given specifically to grandfathered trademarks: the right to exclude.

65. In addition, during this same period, the negotiators tightened the requirement not to "refuse or invalidate" trademark registrations up to a requirement not to even "prejudice" the validity of such registrations or the right to use the trademark. This emphasizes further that the negotiators were increasing the protection of grandfathered trademarks, not reducing it.

66. The EC's interpretation, therefore, simply makes no sense from the ordinary meaning of the text, and is contradicted by the negotiating history.

67. Further, the EC's interpretation of these terms is inconsistent with their context. When Article 24.5 refers to the "right to use a trademark", the Panel should keep in mind that a trademark is "used" by its owner – how? – to distinguish his goods from the goods of others. If that owner is not able to exclude all others from using confusingly similar signs – *i.e.*, to maintain the distinctiveness of his trademark as a source-identifier – his ability to use the trademark to distinguish his goods is

¹⁴ See Exhibit US-25.

severely prejudiced. As recognized by Advocate General Jacobs of the European Court of Justice in HAG II,¹⁵ a trademark can only fulfill its role of identifying the manufacturer and guaranteeing quality if it is exclusive: the exclusive right of trademark owners to prevent confusing uses is the core of the trademark right.¹⁶ As the EC itself suggests, the TRIPS Agreement negotiators knew how to draft a provision that required some accommodation between the rights of different right holders, for instance, in the area of two homonymous wine GIs. Article 24.5 is not such a provision.

68. The EC questions why certain wine labeling regulations in the United States appear to permit grandfathered trademarks to co-exist with later geographical indications. Although this question is not relevant, as this dispute involves neither wine nor US regulations, suffice it to say that, even where the wine labeling regulations permit the use of terms that may be similar to trademarks, US courts have confirmed that the trademark owner fully retains his exclusive right to prevent confusing uses of his signs.

Article 24.3 of the TRIPS Agreement

69. Having failed to show that Article 14(3) of the GI Regulation provides TRIPS Article 16.1 rights to trademark owners, and having failed to show that Article 24.5 of the TRIPS Agreement permits the EC to prejudice those rights freely, the EC next argues that Article 24.3 of the TRIPS Agreement *requires* the EC to deprive trademark owners of their Article 16.1 rights. According to the EC, this is because Article 24.3 requires that, in implementing protections for GIs, a Member may not diminish the protection of GIs that existed before the TRIPS Agreement entered into force. Therefore, according to the EC, Article 24.3 requires the EC to maintain "co-existence of geographical indications and earlier trademarks."¹⁷

70. This view is misguided. To begin, as in the case of Article 24.5, Article 24.3 is an exception with respect to the implementation of the *GI* section of the TRIPS Agreement. It is not an exception to the implementation of the trademark obligations. The meaning of Article 24.3 is that GIs should be protected in accordance with the GI section of the TRIPS Agreement, but that the protection provided those GIs should not diminish the protections for GIs that existed when the TRIPS Agreement came into force. Article 24.3 does not impose any such exceptions on the obligation to provide trademark rights under Article 16.1.

71. Under the EC's interpretation, Article 24.3 would create a major and permanent exception to the *trademark section* of the TRIPS Agreement. It would require a Member to apply all aspects of a pre-TRIPS GI regime to all GIs – including those registered after January 1, 1996 – even though this means that the Member would *never* fully implement the rights granted trademark owners by Article 16.1.

72. The Panel should recall that the TRIPS Agreement text, and Article 24.3 in particular, was essentially agreed to by December 1991, three years before the WTO Agreement came into force. The EC GI Regulation entered into force a year and a half later, on June 5, 1993. Under the EC's expansive reading of Article 24.3 – that is, requiring a freezing of GI protection systems regardless of any WTO obligation (and not just the GI obligations) – a Member could have put in place a GI "protection" regime that exempted GI owners from the copyright and patent disciplines, or, indeed, any other WTO obligations, and then pointed to Article 24.3 as a broad exception to those obligations.

¹⁵ Exhibit US-9.

¹⁶ Exhibit US-9.

¹⁷ EC First Written Submission, para. 312.

73. Plainly, this reading is incorrect. Article 24.3 is an exception to the implementation of protections for GIs, not an exception to the implementation of trademark – or other WTO – obligations.

Article 17 of the TRIPS Agreement

74. Finally, the EC argues that, as permitted by Article 17 of the TRIPS Agreement, the GI Regulation constitutes a limited exception to trademark protection – the fair use of descriptive terms – that takes account of the legitimate interests of the owner of the trademark and of third parties.

75. The EC's assertions would be more credible if the EC had not specifically *rejected* a proposed amendment to Article 14(2) of the GI Regulation that would have clarified that the trademark rules on "fair use" exceptions apply to GIs.¹⁸ But this amendment was rejected in favor of the much broader "exception" provided for under the GI Regulation. A limited exception to trademark protection, such as that provided by a "fair use" exception, takes account of the legitimate interests of the trademark owner and of third parties on a case-by-case basis, depending on the manner in which a descriptive term is used. For example, 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. It is possible simultaneously to protect the legitimate interests of the consumer, the GI owner and the trademark owner. The GI Regulation makes no such distinctions, however, but simply offers a broad immunity against actions by trademark owners, based purely on whether a particular GI has been registered. 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 whole core of his legitimate interest. This is not a limited exception and it does not take into account the legitimate interests of the owner of the trademark or, indeed, of the consumer. Consequently, the EC GI Regulation does not satisfy the requirements of Article 17 of the TRIPS Agreement.

Conclusion

76. Mr. Chairman, members of the Panel, this concludes the oral presentation of the United States this morning. We thank you for your attention and, indeed, for your willingness to serve on this Panel to review the important issues presented by this dispute. We look forward to our further discussions this afternoon and tomorrow.

¹⁸ See Exhibit US-21.

ANNEX A-4

REPLIES BY THE UNITED STATES TO QUESTIONS POSED BY THE PANEL AND THE EUROPEAN COMMUNITIES TO THE COMPLAINING PARTIES FOLLOWING THE FIRST SUBSTANTIVE MEETING

(8 July 2004)

*Q1. To what extent is the Panel bound by the EC's interpretation of its own Regulation?
USA, AUS, EC*

Response:

1. The Panel is not bound by the EC's interpretation of the GI Regulation. The Panel is charged under Article 11 of the DSU with making "an objective assessment of the matter before it, including an objective assessment of the facts of the case ...". Therefore, as the Appellate Body has emphasized, for instance, in *India – Patents (US)*,¹ panels often must make a detailed examination of the domestic law of a Member in order to assess the conformity of that law with WTO obligations.² In this capacity, the Panel is a finder of fact: the Panel should "establish the meaning" of municipal law, "as a factual element", to "check whether these factual elements constitute conduct" contrary to WTO law.³ The party asserting the inconsistency – in this dispute, the United States and Australia – has the initial burden of setting out evidence and arguments sufficient to demonstrate the inconsistency; if that burden is met, it is up to the responding party – the EC – to bring forth evidence and arguments to disprove the claim.

2. In conducting the analysis of municipal law, panels and the Appellate Body have stated expressly that "we are not bound to accept the interpretation [of municipal law] presented by the [responding Member]."⁴ In *India – Patents (US)*, the Appellate Body pointed out that if the panel were obliged to accept the interpretation of municipal law offered by India in that dispute, the consequence would be that "only India can assess whether Indian law is consistent with India's obligations under the WTO Agreement. This, clearly, cannot be so."⁵ In that dispute, India's explanation for certain "contradictions" in its municipal law was rejected by the panel and the Appellate Body.⁶ Further, for panels to accept uncritically the responding Member's interpretation of its own municipal law would preclude them from making their own "objective assessment" of the matter, including the "factual element" of municipal law.⁷

¹ Appellate Body Report, *India – Patent Protection for Pharmaceutical and Agricultural Chemical Products ("India – Patents (US)"*, WT/DS50/AB/R, adopted 16 January 1998), para. 66 ("It is clear that an examination of the relevant aspects of Indian municipal law...is essential to determining whether India has complied with its obligations under Article 70.8(a). There was simply no way for the Panel to make this determination without engaging in an examination of Indian law.")

² See also Appellate Body Report, *India – Patents (US)"*, para. 67; Appellate Body Report, *United States – Anti-Dumping Measures on Certain Hot-Rolled Steel Products from Japan ("US – Hot-Rolled Steel")*, WT/DS184/AB/R, adopted 23 August 2001, para. 200; panel report, *United States – Sections 301-310 of the Trade Act of 1974 ("US – Section 301 Trade Act")*, WT/DS152/R, adopted 27 January 2000, para. 7.18; Panel Report, *United States – Anti-Dumping Act of 1916 – Complaint by the European Communities ("US – 1916 Act (EC)"*), WT/DS136/R and Corr.1, adopted 26 September 2000, as upheld by the Appellate Body Report, WT/DS136/AB/R, WT/DS162/AB/R, paras. 6.48-6.50.

³ Panel Report, *US – Section 301 Trade Act*, para. 7.18.

⁴ Panel Report, *US – Section 301 Trade Act*, para. 7.19.

⁵ Appellate Body Report, *India – Patents (US)*, para. 66.

⁶ Appellate Body Report, *India – Patents (US)*, para. 70.

⁷ See Panel Report, *US – 1916 Act (EC)*, para. 6.48.

3. Although panels are not bound by the interpretation offered by a responding Member of its own legislation, the panel in *US – Section 301* suggested that the responding Member "can reasonably expect that considerable deference be given to its views on the meaning of its own law."⁸ However, in making an objective assessment, panels must critically review the interpretation offered, as they would critically review any other evidence pertaining to the facts. In that respect, panels should weigh the circumstances carefully and determine what credibility to ascribe to the interpretation offered.

4. In some circumstances, the interpretation may be the result of other legal instruments that pre-date the dispute. Thus, the panel in *US – Section 301* accorded particular credibility to the interpretation given by the United States to its law because that interpretation was reflected in an authoritative statement of administrative action ("SAA"), issued by the President prior to the dispute, and approved by the US Congress.⁹

5. In this dispute, by contrast, the question is perhaps not how much weight to give to the EC's interpretation, but which of the conflicting interpretations to take into account: that consistently provided to WTO Members in the years leading up to the EC's first written submission in this proceeding, or that provided for the very first time in the EC's first written submission.

6. Related to this question are the questions of the Panel to the EC concerning whether the Commission's interpretation of Regulation No. 2081/92 is "binding on the European Communities" (question 15); what would be the most authoritative statement of the interpretation of the Regulation in European Community law (question 15); and whether the EC member States and the Council are bound by the Commission's interpretation of the Regulation (question 70).

7. As these questions also bear on the weight that the Panel should give to the Commission's interpretation of this measure in this dispute, the United States would like to offer its views on these questions.

8. According to Article 220 of the EC Treaty, the Court of Justice of the European Communities ("ECJ") and the Court of First Instance are responsible for "ensuring that in the interpretation and application" of EC law "the law is observed".¹⁰ The Court has interpreted this provision to mean that it is the "ultimate interpretive authority in relation to the EC Treaty."¹¹ The ECJ is the highest court of EC law, and only its interpretation of the EC GI Regulation would be binding on the institutions and member States of the EC. Although it is true that in many, if not all, WTO Members, the highest authority for interpretation of a domestic law is the courts, there are particular aspects of the EC system that are distinct from other Members' systems and that are relevant to the Panel's consideration of the evidence in this dispute.

9. For instance, the EC Treaty specifically envisages that the Commission may incorrectly interpret or apply EC law, and the Treaty lays down judicial procedures for action to be taken against the Commission (Articles 230 and 232 of the EC Treaty). This underscores that, in EC law, the

⁸ Panel Report, *US – Section 301 Trade Act*, para. 7.19

⁹ See Panel Report, *US – Section 301 Trade Act*, paras. 7.111 and 7.112.

¹⁰ The EC Treaty provisions discussed in this response are included as Exhibit US-26.

¹¹ EU Law (2nd edition), Craig and De Burca, p. 30. Exhibit US-27. See also the ECJ's Opinion 1/91 on the Draft European Free Trade Agreement, [1991] I-ECR 6079, para. 35, where the ECJ explains that, "in the allocation of responsibilities defined in the Treaties", it has the "exclusive jurisdiction" for ensuring that "the law is observed". Exhibit US-28. In the ECJ's Opinion 1/92, also on the Draft European Free Trade Agreement, [1992] I-2821, para. 22, the ECJ states that its decisions are "binding" in the Community legal order, pursuant to Article 220 of the EC Treaty (formerly Article 164). Exhibit US-29.

Commission's interpretation of EC law does not appear to have any special authority under EC law itself and may in fact be wrong.

10. A good example of this is the so-called "comfort letters" issued by the Commission in the exercise of its powers in the field of competition law. Where commercial parties notify an agreement to the Commission seeking an exemption under Article 81(3) of the EC Treaty, the Commission may respond through an informal "comfort letter". This letter expresses the opinion of the Commission on the interpretation and application of EC competition laws. The letter binds the Commission. However, if the agreement is challenged in a national court, the national court is not bound by the Commission opinion. Indeed, according to the ECJ, the national court is not even obliged to take the Commission opinion into account, although it "may" do so.¹²

11. In the same vein, in proceedings before the ECJ, the Commission generally submits a brief. However, the Commission's brief carries no greater weight before the ECJ than a brief submitted by a private party, or by one of the other Community institutions or an EC member State. In many cases, the ECJ does not even accept the Commission's interpretation of provisions of Community law.

12. Therefore, it follows that the interpretation of the EC GI Regulation offered by the Commission to the Panel in this dispute (particularly in light of the fact that this interpretation contradicts all previous interpretations provided by the EC) is not binding upon the European Communities. It is no more than the opinion of the Commission and has no special authority.

13. The significance of this fact for this Panel might be illustrated by an example. Assume that, in applying its interpretation of the GI Regulation, the Commission grants an application for registration of a GI for a product from a WTO Member that has not received approval pursuant to Article 12(3) of the GI Regulation. The Commission would, by that act, have failed to apply the provisions of Articles 12 and 12a, which state that an application can only be entertained from only those third countries that have received approval under Article 12(3). In other words, the Commission would have registered a GI in circumstances where the Council had legislated that no GI should be registered.

14. In that case, the Commission's act would be open to challenge before the ECJ by any member State or by the Council or European Parliament, under Article 230 of the EC Treaty. Further, natural or legal persons that are directly and individually concerned by the decision could also challenge the Commission's act. In those proceedings, the Commission's interpretation of the Regulation would not be binding upon the ECJ. To the contrary, the ECJ could reach the view that the Commission was not entitled to disregard the requirements in Article 12(1) and 12(3).

15. In that regard, the ECJ has already ruled that "the WTO agreements are not in principle among the rules in the light of which the Court is to review the legality of measures adopted by the Community institutions".¹³ In other words, the ECJ would not entertain the Commission's argument that it was entitled to disregard the terms of the Regulation in order to comply with WTO law. Instead, the ECJ will apply EC legislation even if that legislation is WTO-inconsistent.¹⁴

¹² Bellamy & Child, European Community Law of Competition (5th edition, Roth), para. 10-028, citing Case 99/79 *Lancome v. Etos* [1980] ECR 2511. Exhibit US-30.

¹³ Case C-93/02 P, *Biret International SA v. Council of the European Union*, judgment of 30 September 2003, para. 52. Exhibit US-31.

¹⁴ See Case G149/96, *Portuguese Republic v. Council of the European Union*, judgment of 23 November 1999, paras. 49 – 52. Exhibit US-32. Portugal argued that a Council decision concerning market access for textiles from Pakistan was contrary to Community law as it was inconsistent with WTO law. The ECJ declined to examine the WTO law arguments and held that the Council decision could not be challenged for these reasons. The ECJ found that the arguments on WTO law were "unfounded", without any substantive

16. The only exception to this appears to be where the EC legislation "intended to implement a particular obligation assumed in the context of the WTO agreements, or where the Community measure refers expressly to the precise provisions of the WTO agreements".¹⁵ In that event, the ECJ will examine whether EC legislation is consistent with the WTO obligations it seeks to implement. However, even in that case, the ECJ would not allow the Commission simply to disregard provisions of a Regulation. The Commission must apply the legislation. If the Commission considered that the legislation was WTO-inconsistent it could have challenged the Council's adoption of the legislation before the ECJ under Article 230 of the EC Treaty.

17. The Panel should also be aware that, according to Article 211 of the EC Treaty, the Commission has a responsibility in EC law for ensuring that the EC Treaty and secondary legislation "are applied". In that respect, if the Commission takes the view that an EC member State or another institution has failed to respect EC law, the Commission may bring proceedings to the ECJ under Articles 226, 230 or 232 of the EC Treaty. However, the Commission's responsibility under Article 211 does not confer any special status upon the Commission's interpretation of EC law. The other institutions, and the Member States, can and do take different views from the Commission as to the meaning of EC law. At the end of the day, it is for the ECJ to ensure that "the law is observed", according to Article 220.

18. For all these reasons, the Panel should not accord any particular deference to the Commission's most recent interpretation of the GI Regulation, newly minted for purposes of this dispute, taken alone. This new interpretation does not appear to be based on any published official notice; it appears to run counter to the terms of the Regulation; and does not appear to be authoritative or binding as a matter of EC law. Further, as discussed above, the United States has substantial concerns that the EC's interpretation would not stand up to ECJ review.

Q2. Can the procedures under Articles 5 and 6 of Regulation (EC) No. 2081/92 apply to names of geographical areas located outside the EC? EC

Q3. Did the phrase "[w]ithout prejudice to international agreements" in Article 12(1) of Regulation (EC) No. 2081/92 predate the TRIPS Agreement? Did it refer to any specific agreements when it was adopted? Which agreements does it refer to now? Would it cover bilateral agreements for the protection of individual geographical indications? EC

Q4. Is it unusual that the text of Article 12(1) of Regulation (EC) No. 2081/92 covers only a small number of countries that are non-WTO Members, but the introductory phrase "[w]ithout prejudice to international agreements" covers the entire membership of the WTO? Why was this structure retained when the Regulation was amended in April 2003? EC

Q5. In paragraph 8 of the US oral statement it is implied that the purpose of the phrase "[w]ithout prejudice to international agreements" in Article 12(1) of Regulation (EC) No. 2081/92 is to reserve the EC's flexibility to protect specific non-EC GIs through bilateral agreements. In the US view, in what way does the phrase apply to bilateral agreements? Please also explain on what basis the US draws the distinction between bilateral and other international agreements. USA

inquiry. In essence, the ECJ has already accepted, therefore, that Council legislation may well be WTO-inconsistent and must still be applied in the EC legal order.

¹⁵ Biret International SA, para. 53. Exhibit US-31.

Response:

19. The "without prejudice" language recognizes that international agreements may lay down specific GI rules (*i.e.*, either directly specifying GI protection for specific names or specifying procedures and requirements for protecting GIs from the parties to that agreement). In such an event, the specific regime established in the international agreement will be applied directly.

20. As context and by way of background, the EC has sought and granted protection to specific geographical indications in bilateral agreements with individual countries. Such provisions are contained, for instance, in the EC's agreement in the wine sector with Canada, Chile, and South Africa, among others, in which EC-wide GI protection is granted to specific GI terms listed in those agreements under specific procedures.¹⁶ And, indeed, the basic EC wine regulation, Council Regulation (EC) 1493/1999, provides that imported wines bearing a geographical indication may be eligible for the EC's protection and control scheme for geographical indications "subject to reciprocity".¹⁷ Further, the EC's wine labeling regulation, containing rules for applying Regulation 1493, makes the use of GIs for wine from third countries subject to a requirement that they not give rise to confusion with the geographical indication of "another imported wine included in the lists in agreements concluded between the Community and third countries."¹⁸

21. In other words, in this area, the EC provides certain general rules for the use of GIs from third countries, but makes those rules subject to specific agreements that the EC has reached with certain third countries with respect to protection of specific GIs.

22. Similarly, in the non-wine context, the Joint Declaration included in the bilateral agreement between Switzerland and the EC "on the protection of geographical indications and designation or origin of agricultural products and foodstuffs" specifically anticipates special rules concerning both the registration of Swiss GIs and the inspection structures to be required of Switzerland:

[t]he Parties shall provide for provision on the mutual protection of PDOs and PGIs to be incorporated in the Agreement on trade in agricultural products on the basis of equivalent legislation, as regards both the conditions governing the registration of PDOs and PGIs and the arrangement on controls.

23. Thus, to provide for the likelihood that these "conditions governing [PDO and PGI] registration" and the "arrangement on controls" will not necessarily mimic exactly the conditions and inspection structures required in the EC GI Regulation, the GI Regulation states that the conditions and inspection structures required of third countries in the GI Regulation are "[w]ithout prejudice to international agreements", such as that negotiated with Switzerland.

¹⁶ See, e.g., Agreement between Canada and the European Community on Trade in Wines and Spirit Drinks, Articles 10 and 11 ("In implementation of paragraphs 1 and 2, after receiving an official application by diplomatic note from Canada justifying that the names in paragraph 1 are geographical indications, the Community shall take the necessary steps to have the names listed in Annex III (b) protected by the competent authorities responsible for enforcement so that any wines incorrectly presented or described with a protected Canadian geographical indication are not placed on, or are withdrawn from, the market"). Exhibit US-33. See also Agreement Between the European Community and the Republic of South Africa on Trade in Wine, http://europa.eu.int/eur-lex/pri/en/obj/dat/2002/l_028/20020130en00040105.pdf;

¹⁷ Council Regulation (EC) No. 1493/1999 of 17 May 1999, OJ L 179, 14.7.1999, page 1, Annex VII (G)(4). Exhibit US-34.

¹⁸ Article 36(3) of Commission Regulation (EC) No. 753/2002 of 29 April 2002, laying down certain rules for applying Council Regulation (EC) No. 1493 as regards the description, designation, presentation and protection of certain wine sector products, OJ L 118, 4.5.2002, p. 1. Exhibit US-35.

24. There are other examples of bilateral agreements to which the "without prejudice" language would appear to apply. For instance, there are bilateral agreements for the protection of specific GIs between member States of the EC and third countries, such as those between Austria and the Czechoslovak Republic and between Portugal and the Czechoslovak Republic on the protection of specific Czech GIs.¹⁹ As the Supreme Court of Justice in Portugal noted in a case involving the latter agreement, the language of the GI Regulation – "[w]ithout prejudice to international agreements" – is aimed at excluding from "its field of application the third countries which are parties in agreements entered into with member States."²⁰ There are other bilateral and plurilateral agreements involving member States on GIs. Examples are provided in WTO document, IP/C/W/85/Add.1, 2 July 1999, Overview of Existing International Notification and Registration Systems for Geographical Indications Relating to Products Other Than Wines and Spirits, (Note by the Secretariat). As discussed above, certain of these agreements provide GI protection for specific names (examples include the Austria / Czechoslovak agreement that protects a list of named GIs) and the (plurilateral) Stresa Convention,²¹ which protects a large number of names of cheeses.

25. In addition, the EC is also seeking more specific agreements on GIs. For instance, Article 46(4) of the Cotonou Agreement states that the EC, its member States and the ACP countries may enter into agreements on the protection of "geographical indications for products of particular interest" to the parties. The EC is also engaged in negotiations with China on a bilateral agreement on GIs. (see http://europa.eu.int/comm/external_relations/china/intro/sect.htm).

26. In the context of all of these specific bilateral and plurilateral agreements, the "without prejudice" language allows the Commission to apply the specific GI protection regimes established by international agreements independently of the Regulation. For instance, if the EC concludes an agreement with a third country to provide GI protection for named agricultural products from that country, there is no need to use the registration procedures in the Regulation. The Commission can simply insert the names concerned in the register on the basis of the newly established international regime and the "without prejudice" language in the GI Regulation.

27. Similarly, if an international agreement were to lay down special procedures governing the registration of GIs for products from particular third countries, the Regulation would not prevent the Commission from applying these procedures directly, even though they are different from the procedures in the Regulation.

28. In these cases, the international agreement would be applied directly without need for implementing rules. In short, instead of applying the Regulation, the Commission would apply specific rules laid down in the agreement that deal with the particular fact situation. And the Commission would derive authority for its act directly from the international regime to which it specifically applies, displacing the general rules in the EC GI Regulation.

29. In the case of the national treatment obligation in the TRIPS Agreement, by contrast, there is no specific international registration regime for the Commission to apply. The Commission does not even purport to be applying an international regime of any kind. Instead, the Commission appears to

¹⁹ See Case C-216/01, *Budejovicky Budvar v. Rudolf Ammersin*, judgment of 18 November 2003, paras. 70 and 71 (where the French government asserted that the "without prejudice" language preserved the protections offered by the Austrian-Czechoslovak Agreement; the ECJ did not have to address that assertion, however, since the case was decided on other grounds). At the time of the dispute, the Czech Republic, a successor State to the Czechoslovak Republic, was not a member State of the European Union and was, therefore, a third country for these purposes. Exhibit US-36.

²⁰ Exhibit US-37.

²¹ Signed on 1 June 1951 and entered into force on 12 July 1953. To date the contracting parties are Austria, Denmark, France, Italy, The Netherlands, Norway and Switzerland.

acknowledge that it is applying the Community registration regime. However, apparently because of the requirements of the national treatment obligation in the TRIPS Agreement, the Commission now says it has to apply the Community regime differently from the regime the Council adopted.

30. The Commission is, therefore, purporting to apply a regime that is not provided for either in an international agreement or in Community law. In short, there are no specific rules in an international agreement to apply; instead, the Commission now purports to be taking it upon itself to modify the Community general rules.

31. But the "without prejudice" language does not authorize the Commission to apply rules that have no legal basis whatsoever, be it in international law or Community law. Furthermore, in general Community law, as the United States understands it, the Commission does not enjoy the legal authority to modify or refuse to apply a Council Regulation. Only the Council can modify its own Regulation.

32. Accordingly, the Commission appears to have no legal authority to receive GI applications for products from a third country unless the third country has requested, and been granted, approval by the Commission, pursuant to Article 12(3) of the Regulation.

33. With respect to the Panel's question about whether these agreements are necessarily "bilateral", the EC has generally sought reciprocal treatment, which implies that in general such agreements are bilateral. But the United States notes that the EC is also negotiating agreements in the wine sector with Mercosur, which would probably be characterized as plurilateral, and also notes the example of the Stresa Convention, discussed above, which is also plurilateral. It is, of course, possible for a multilateral agreement to provide for specific procedures and conditions for registering and protecting certain GIs of all parties to the agreement, as the EC has negotiated on a bilateral basis and plurilateral basis in the past. But, for the reasons mentioned above, the WTO Agreement is not such an agreement.

Q6. What meaning does Australia give to the phrase "[w]ithout prejudice to international agreements" in Article 12(1) of Regulation (EC) No. 2081/92? AUS

Q7. Do the last sentence of Article 12(3) of Regulation (EC) No. 2081/92 and the first clause in Article 12a "[i]n the case provided for in Article 12(3)" limit the applicability of Article 12a? EC

Q8. Which references to a "third country" in Articles 12, 12a, 12b and 12d of Regulation (EC) No. 2081/92 include all WTO Members, and which do not? What, in the context of each reference, indicates what "third country" means? Why are different terms not used? EC

Q9. Why is it that only the rights of objection in Articles 12b(2)(a) and 12d(1) of Regulation (EC) No. 2081/92 mention a "WTO Member" or "WTO member country"? Is it relevant that Regulation (EC) No. 692/2003 explained, in its 10th recital, that in the matter of objections the provisions in question apply without prejudice to international agreements but, in its 9th recital, it explained that the protection provided by registration is open to third countries' names by reciprocity and under equivalence conditions? EC

Q10. Has the Commission recognized any countries under the procedure set out in Article 12(3) of Regulation (EC) No. 2081/92? Have any countries requested to be recognized under that procedure? EC

Q11. Has an application for registration under Regulation (EC) No. 2081/92 ever been made in respect of the name of a geographical area located outside the EC? If so, what happened? EC

Q12. Has any group or a natural or legal person interested in a geographical indication for agricultural products or foodstuffs originating in your territory ever sent a registration application to your authorities pursuant to Regulation (EC) No. 2081/92? If not, do you know the reason? USA, AUS

Response:

34. As the United States explained to the Panel during its first meeting, there is no office established within the US Government for processing applications for GI registrations in the EC; nor is the United States in a position to assess whether any such application would meet the requirements of the EC GI Regulation, as that regulation requires.²² Therefore it is not clear to whom such an application would be sent.

35. However, after consulting various agencies in the US Government, it does not appear that any applications have been submitted, although there have been discussions with private sector stakeholders about the lack of access to the EC GI system. The United States is not privy to all of the reasons that a person with a US-based GI would not file an application. However, as illustrated by the case of the Idaho Potato Commission, which protects "Idaho Potatoes" as a certification mark in the United States, such rightholders recognize that it would be futile to apply, because the United States does not satisfy the GI Regulation's equivalence and reciprocity requirements.

36. In testimony presented to the Committee on Agriculture in the US House of Representatives on July 22, 2003, a representative of the Idaho Potato Commission testified that, in order to achieve GI protection under the GI Regulation, the country seeking GI protection for its nationals has to show that it "has essentially adopted the EU system for protecting GI's. This puts the EU in the position of evaluating the laws of another WTO Member, and then making a determination that their system for protecting GI's is reciprocal to the laws of the EU."²³ Testifying that "the existing US certification mark system is not, in the view of the EU, sufficient", he concluded that there was no way for US agricultural producers to achieve such protection. He further stated that "the attorneys we have retained in the EU to investigate and advise us of any recourse that might be available to us have all reached the same conclusions: the EU system has simply shut us out. We are powerless to protect our name in the EU, but EU nationals are free to register and use our name."²⁴

37. As far as the United States is aware, the situation of the Idaho Potato Commission is not unique, and its view of the situation, which has been set out in public statements, is shared by many relevant stakeholders in the United States. For instance the US Dairy Export Council and the National Milk Producers Federation have also complained to the US Government that, absent EC-equivalent legislation in the United States, US persons are not eligible to register their GIs in the EU.²⁵

38. Further, neither the Idaho Potato Commission nor any other US stakeholder would have received contrary information from the US Government. To the contrary, as discussed in the US first written submission, the EC has made clear on numerous occasions, including during five years of consultations, that the United States would have to satisfy the conditions of reciprocity and equivalence to have US-based GIs registered, and that the United States does not satisfy those conditions. Indeed, responding on January 16, 2003, to the US concern about conditioning the availability of GI registration on equivalence and reciprocity, *the EC specifically wrote that "it is true*

²² Article 12a(2) of the GI Regulation.

²³ See Exhibit US-38, at p. 352.

²⁴ Exhibit US-38 at p. 353.

²⁵ See Letter from US Dairy Export Council and the National Milk Producers Federation to the Office of the United States Trade Representative, dated March 26, 2004. Exhibit US-39.

that US GIs cannot be registered in the EU", but claimed that other avenues for protection (e.g., member State unfair competition rules) were available.²⁶

39. In other words, the lack of applications appears to result from the success of the EC GI Regulation in erecting barriers to those applications.

Q13. What discretion does the Commission enjoy in the application of Regulation (EC) No. 2081/92? EC

Q14. Please express your view on whether and to what extent the mandatory/discretionary distinction in GATT and WTO jurisprudence applies under the TRIPS Agreement. Would the nature of those TRIPS obligations which are not prohibitions but rather oblige Members to take certain actions, affect the application of the distinction? USA, AUS, EC

Response:

40. In this dispute, the EC has argued, at para. 12 of its oral statement²⁷

In order to substantiate their claim, the complainants should have established that Regulation 2081/92 mandates necessarily the registration of later confusing geographical indications. In turn, this would have required them to show that Article 14(3) cannot be interpreted in a manner which allows the registering authority to refuse the registration of confusing geographical indications. At the very least, the complainants should have established that, in practice, Article 14(3) is being interpreted and applied in a manner which results in a consistent pattern of registrations of confusing geographical indications. The complainants have proved none of this. Indeed, they have not even attempted to do so. As mentioned, their complaint is purely theoretical. The Panel, therefore, should conclude that, as a matter of fact, the complainants' claim would be unfounded even on their own interpretation of Article 16.1 of the TRIPS Agreement.

41. This is not a proper application of the mandatory/discretionary analysis. Article 16.1 of the TRIPS Agreement requires Members to provide owners of registered trademarks with certain exclusive rights to prevent confusing uses of signs, including GIs. A WTO Member cannot decline to provide this right, guaranteed by the TRIPS Agreement, on the grounds that the *owner* of the registered trademark is unlikely to need it in light of how the *EC* might apply Article 14(3). Yet, that is just what the EC is arguing. Further, Article 14(3) cannot substitute entirely for this right. First, Article 14(3) applies only in the case of possible confusion with trademarks "in light of a trade mark's reputation and renown and the length of time it has been used". By contrast, Article 16.1 rights are required regardless of the reputation, renown, or length of time of use of the registered trademark. More significant, however, Article 14(3) cannot substitute entirely for TRIPS Article 16.1 rights because it is not possible to determine with certainty at the time of registration whether the use of a GI will likely result in confusion with a registered trademark, as such a determination is made on a case-by-case basis, and may require an evaluation of the use of the GI in the marketplace.

42. Simply stated, the EC cannot provide the required exclusive rights to owners of registered trademarks under TRIPS Article 16.1 by invoking the unrealistic hope that the EC authorities will make the exercise of those rights unnecessary through the use of Article 14(3) of the GI Regulation. The EC is incorrect in stating that to establish its TRIPS Article 16.1 claim, the United States "would need to prove that Regulation 2081/92 mandates necessarily the registration of confusing geographic

²⁶ See Exhibit US-40.

²⁷ See also, EC First Written Submission, paras. 277 and 292.

indications."²⁸ The issue is not whether the EC has the legal discretion to grant or deny the registration of GIs when there is the possibility of confusion with any trademark (although the EC does not have such discretion.). The issue is whether the EC is providing *owners* of registered trademarks with the rights required by Article 16.1.

43. Thus, in the context of this dispute, a breach has been established through the failure of the EC to provide the right in question in its municipal law. The mandatory/discretionary analysis is not required in this particular instance. This is not to say, however, that it might not be relevant in other TRIPS Agreement contexts, including where the TRIPS Agreement obliges Members to take certain actions. For example, if a Member maintains a measure which affirmatively precludes the Member's authorities from taking required actions, under a mandatory/discretionary analysis, the measure would mandate a breach of the TRIPS Agreement obligation.

44. Finally, the EC has no basis for alleging that a challenge to the EC GI Regulation requires a showing of a "consistent pattern" of registering confusing GIs. As described above, the EC is obligated to provide a right in its municipal law, and it is not. Nevertheless, the United States notes that in the one invocation of Article 14(3) cited by the EC, the Commission decided to register the name Bayerisches Bier as a GI, notwithstanding having been informed of a trademark ("Bavaria") used for beer that included that name (apparently in translation).²⁹ This specific application of the Regulation does not give the United States much confidence that Article 14(3) fulfills the Article 16.1 rights of registered trademark owners.

Q15. What would be the most authoritative statement of the interpretation of Regulation (EC) No. 2081/92? Is a statement by the EC delegation to this Panel legally binding on the European Communities? EC

Response:

See response to question 1.

Q16. Can the EC provide the Panel with any official statement predating its first written submission that names of geographical areas located in all WTO Members could be registered under Regulation (EC) No. 2081/92 without satisfying its equivalence and reciprocity conditions? EC

Response:

45. See Exhibit US-40, in which, in a communication to the United States, the EC confirmed that US GIs "cannot be registered in the EU." See also Exhibit US-44 (slide 14/15).

Q17. Is the EC's explanation of the availability of registration of foreign GIs under its system, set out in its written statement to the Council for TRIPS in September 2002, (IP/C/M/37/Add.1, para. 142 and Annex, pp. 77-85) consistent with the text of Articles 12-12c of the Regulation? Why did that written statement not qualify the position that the Regulation's equivalence and reciprocity conditions apply to foreign GIs, if they did not apply to WTO Members, to whom the statement was addressed? EC

Q18. Did the EC member States agree with the Commission's written statement to the Council for TRIPS in September 2002 with respect to the conditions attached to the registration of foreign GIs? How can the Commission ensure that the Council of Ministers will not prevent registration under the

²⁸ EC First Written Submission, para. 277.

²⁹ See Exhibit US-41.

Regulation of the name of a geographical area located in a third country WTO Member because that Member does not satisfy the equivalence and reciprocity conditions of Article 12(1)? EC

Q19. Has a judicial authority ever ruled on the availability of protection provided by registration for third countries under Regulation (EC) No. 2081/92? If the Commission registered the name of a geographical area located in a third country WTO Member, could that registration be subject to judicial review because the area was located in a WTO Member that did not fulfil the equivalence and reciprocity conditions of Article 12(1) of the Regulation? EC

Q20. With reference to paragraph 43 of the EC's oral statement, does the EC contest that equivalence and reciprocity conditions such as those under Article 12(1) and (3) of Regulation (EC) No. 2081/92, if applied to other WTO Members, would be inconsistent with the national treatment obligations in the TRIPS Agreement and/or Article III:4 of the GATT 1994? EC

Q21. If Switzerland, as a WTO Member, can apply for registration of its GIs under Regulation (EC) No. 2081/92 without satisfying equivalence and reciprocity conditions, what was the purpose of its joint declaration with the EC concerning GIs set out in Exhibit US-6 and mentioned in paragraph 119 of the US first written submission and paragraphs 243-244 of the EC's first written submission? USA, AUS, EC

Response:

46. While the United States cannot speak for Switzerland, in the view of the United States, if there were *no* requirement for equivalence and reciprocity in the GI Regulation, as the EC maintains, it would make little sense for Switzerland to agree to "mutual protection" of GIs "on the basis of equivalent legislation". In effect, Switzerland would be agreeing to more onerous requirements than would be required under the GI Regulation. By contrast, such an agreement would be useful if it meant that Switzerland did not have to meet the equivalence and reciprocity requirements in the GI Regulation.

Q22. Are there any legal requirements or other provisions in EC or national laws which ensure that groups or persons entitled to apply for registration under Article 5 of Regulation (EC) No. 2081/92 are always, or usually, EC citizens or legal persons organized under the laws of the EC or an EC member State? What conditions have been laid down for natural or legal persons to be entitled to apply for registration pursuant to Article 5(1)? USA, AUS, EC

Response:

47. Under Article 5 of the GI Regulation, only an association of producers and/or processors working with the same agricultural product or foodstuff may apply for a GI registration; Article 2 of Commission Regulation (EEC) No 2037/93 of 17 July 1993³⁰ permits applications by a group of individuals without legal personality where national law treats such a group as a legal person. Under Article 5.2, "[a] group or a natural or a legal person may apply for registration only in respect to agricultural products or foodstuffs which it produces or obtains" within a particular region. Therefore, with respect to applications for GIs referring to regions within the EC, it would appear to follow that those entitled to submit an application for EC-based GIs include legal persons under member State national law that produce or process products in a particular region of that member State; in other words, such applicants are, generally legal persons under the laws of the EC or the EC member State. Indeed, as a practical matter, any commercial entity growing agricultural products or processing

³⁰ Laying down detailed rules of application of Council Regulation (EEC) no 2081/92 on the protection of geographical indications and designations of origin for agricultural products and foodstuffs, OJ L 185, 28.7.1993, p. 5 (Exhibit COMP-2.a).

foodstuffs in a member State of the EC will set up a legal entity under the laws of that member State for that purpose.

48. Of course, Article 12a, provides for applications from "a group or a natural or legal person as referred to in Article 5(1) and 5(2) in a third country" that satisfies the equivalence and reciprocity conditions, so the same considerations apply with respect to applicants from qualifying third countries: "legal persons" in such a third country producing or obtaining product in that third country may also be able to submit an application for their GIs.

Q23. How do you interpret the term "nationals" as used in Article 1.3, including footnote 1, and Articles 3.1 and 4 of the TRIPS Agreement and Article 2 of the Paris Convention (1967) in relation to this dispute? Do a Member'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? USA, AUS, EC

Response:

49. Article 1.3, footnote 1, specifies that "nationals" of a WTO Member that is a separate customs territory, such as the EC, means "persons, natural or legal, who are domiciled or who have a real and effective industrial or commercial establishment in that customs territory." This is a definition that applies to the TRIPS Agreement as a whole, so it is a definition that also applies to Articles 3.1 and 4 of the TRIPS Agreement. Thus, for instance, under Article 3.1, the EC has an obligation to accord nationals of other Members treatment no less favorable than it accords natural or legal persons who have a real and effective industrial or commercial establishment in the EC. Further, under Article 2 of the Paris Convention, "nationals" refers to both natural and legal persons,³¹ and, under Article 3, persons that are not nationals of a Paris Union member country, but that are domiciled or that have a real and effective industrial or commercial establishment in the territory of one of the member countries, are also treated as nationals of that member country.

Q24. In your view, which natural or legal persons can be considered "interested parties" in the sense of Article 22.2 of the TRIPS Agreement? Is Article 10(2) of the Paris Convention (1967) relevant? USA, AUS, EC

Response:

50. "Interested parties" is not defined in the TRIPS Agreement, but the ordinary meaning of the term under TRIPS Article 2.2 would include a party that has an interest in the subject matter of the geographical indication. Article 10(2) of the Paris Convention, which concerns similar subject matter to TRIPS Agreement Article 22 of the TRIPS Agreement (including false indications of geographical source), provides useful context that an "interested party" includes producers or sellers of the relevant goods that are either established and producing in the region falsely indicated as the source, or established and producing in the country where the false indication of source is used. Article 10 is relevant in this respect notably because it is one of the Paris Convention provisions specifically incorporated into the TRIPS Agreement by Article 2.1.³²

Q25. Is it appropriate to compare nationals who are interested in GIs that refer to areas located in different WTO Members in order to examine national treatment under the TRIPS Agreement? Why or why not? USA, AUS, EC

³¹ Bodenhausen, p. 27. Exhibit US-2.

³² See Gervais, page 193 (The definition of interested party in Article 10(2) "is useful and may be used to interpret the expression "interested party" used in Article 22(2)). Exhibit US-42.

Response:

51. GIs are by nature related to geographic territory. An analysis of national treatment requires comparing the treatment of different nationals with respect to the protection of their intellectual property. Therefore it is appropriate to compare the treatment of domestic nationals with respect to the protection of their home-based GIs to the treatment of foreign nationals with respect to the protection of their home-based GIs. In addition, as a practical matter, and particularly in the agricultural sector, which is intrinsically tied to the land, a measure that provides less favorable treatment to products originating in certain WTO Members also provides less favorable treatment to the nationals of that Member.

Q26. If national treatment can be examined in relation to GIs in terms of the location of the geographical area to the territory of a Member, is it appropriate to examine national treatment in relation to any other intellectual property rights in terms of an attachment to a Member besides the nationality of the right holder? Why or why not? USA, AUS, EC

Response:

52. National treatment obligations should be analyzed on a case-by-case basis, based on the measure at issue, as well as on the particular type of intellectual property right; broad conclusions in the absence of a particular issue are difficult to formulate accurately. However, the United States notes 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. Further, in Article 1.3, "nationals" of other Members include persons meeting certain criteria for protection under other international agreements. In the case of copyright, as an example, non-nationals that would be treated as nationals for purposes of protection under the Berne Convention would include non-nationals whose works are first published in a member country (Berne Convention, Article 3), or persons with "habitual residences" in such a country. Similarly, under the Rome Convention, there are points of attachment that are broader than mere nationality, including where a phonogram was first fixed, or where a performance took place, or where a broadcast originated.

53. Geographical indications may be different from other forms of intellectual property in the degree to which they are related to the territories of the Parties, but finding points of attachment that go beyond mere "nationality" in a technical sense is not unusual.

Q27. Can the Panel assume that it is likely that interested parties in relation to names of geographical areas located in a Member are nationals of that Member? Have the complainants attempted to gather data on the relative numbers of EC, and non-EC, interested parties in names of geographical areas located within, and outside, the EC that might be eligible for registration under Regulation (EC) No. 2081/92? Would such data be relevant? USA, AUS

Response:

54. Any meaningful and realistic appraisal of whether a measure provides less favorable treatment to nationals with respect to geographical indications would take into account that nationals have an interest in GIs in the country of their nationality, particularly with respect to agricultural products and foodstuffs. Therefore, a measure that provides less favorable treatment of, for instance, agricultural products from the United States would provide less favorable treatment to the US nationals that produce them.

55. Further, since the EC's requirements have discouraged anyone from applying for GI registration with respect to GIs in the United States, it is not possible to determine whether, for

instance, there are any French nationals who would, in the absence of the barriers in the EC GI Regulation, seek to register a US-based GI in the EC.

56. In addition, as further support for this obvious link, the United States conducted a search for certification mark applications by French, German, Spanish and Italian nationals. As the Panel is aware, the United States protects geographical indications through certification marks (although certification marks can include subject matter that goes beyond "geographical indications" as defined in the TRIPS Agreement or the EC GI Regulation). The results are attached as Exhibit US-43, and show that nationals of a country typically register names that refer to geographical areas from the territory of their nationality. For example, the certification mark applications and registrations from French nationals include names of French geographic origin, and not names of US origin. The same is true of applications from German, Italian, and Spanish nationals. Similarly, Exhibit 43 includes a sample search of US entities with registered certification marks referring to selected food products, which shows that those entities are interested in geographical areas in the United States.

57. However, in the view of the United States, such data, while they might be obvious, are not necessary, because of the obvious link between the natural and legal persons who would seek GI protection for agricultural products and foodstuffs and the territory of the Member in which they are growing or producing such products.

Q28. Do you have information on the numbers of EC nationals who are interested parties in relation to GIs protected in your territory for agricultural products and foodstuffs other than wines and spirits? USA, AUS

Response:

58. The information with respect to certification marks filed by various EC nationals, described in response to question 27, would suggest that EC nationals have an interest primarily in GIs referring to regions in their country of nationality. In addition, however, interested parties would also include those who are likely to be damaged by the registration of a GI – e.g., an EC national using a generic term on a product exported to the United States, where there is an application at the USPTO to make that term proprietary. The United States has no way to know the number of EC nationals who are interested parties in this sense, but notes that any such parties are free to object to, or request cancellation of, the registration of a certification mark.

Q29. The Japan – Alcoholic Beverages II, Korea – Alcoholic Beverages and Chile – Alcoholic Beverages disputes show that measures which are origin-neutral on their face can be inconsistent with Article III of GATT 1994. Is Regulation (EC) No. 2081/92 also open to challenge under Article 3.1 of the TRIPS Agreement despite its apparently national-neutral text? EC

*Q30. In Article 2(1) of the Paris Convention (1967) as incorporated in the TRIPS Agreement by its Article 2.1, should the words "country of the Union" be read *mutatis mutandis* to refer to "WTO Member"? USA, AUS, EC*

Response:

59. Article 2.1 of the TRIPS Agreement requires WTO Members to "comply" with, *inter alia*, Article 2(1) of the Paris Convention, which imposes obligations with respect to the treatment of "[n]ationals of any country of the Union." Therefore, "country of the Union" should be read *mutatis mutandis* to refer to "WTO Member". The United States notes, however, that it is a WTO Member as well as a "country of the Union," so that its nationals are owed national treatment by the EC regardless of the interpretation of this phrase.

Q31. What is the respective scope of the national treatment obligations in Article 2(1) of the Paris Convention (1967) and Article 3.1 of the TRIPS Agreement? Do they overlap? USA, AUS, EC

Response:

60. The national treatment obligations of the Paris Convention apply with respect to the protection of industrial property as defined in the Paris Convention. Those of the TRIPS Agreement apply to the protection of intellectual property as defined in the TRIPS Agreement. There is substantial overlap in these protections, but they are not entirely co-extensive.

61. With respect to the national treatment obligation itself, the scope of the obligation is slightly different in the Paris Convention compared to the TRIPS Agreement – notably, the Paris Convention requires that the "same protection" be granted to nationals of other Members as is granted to a Member's own nationals, whereas the TRIPS Agreement requires "no less favourable" treatment. However, the United States does not believe that this difference in scope is relevant for purposes of this dispute, as the treatment provided by the EC is neither the "same" nor "no less favorable." Similarly, the United States does not believe that the difference between other nationals enjoying the advantages of one's own nationals (Paris Convention Article 2(1)) and other nationals being accorded treatment "no less favourable" than that accorded one's own nationals (TRIPS Agreement Article 3.1) is significant in this dispute, since the EC GI Regulation complies with neither standard.

Q32. If Regulation (EC) No. 2081/92 grants different treatment to names, why does this amount to less favourable treatment to like products? What evidence is there of actual modification of conditions of competition? Would such evidence be relevant to a determination of less favourable treatment? USA, AUS

Response:

62. Through the registration and protection of GIs for certain products, the GI Regulation bestows numerous significant competitive advantages on those products, which are detailed in the GI Regulation itself.³³ But access to this system of GI protection is not available to products of non-EC origin on as favorable a basis. The issue is not granting different treatment to "names" as such, but rather granting favorable treatment for products whose names qualify for a particular status that brings with it competitive advantages. The EC itself in its GI Regulation indicates that products that benefit from GI protection show enhanced profitability; indeed, that is the very reason for the Regulation. In addition, the EC has provided specific evidence of this competitive advantage, in presentations aimed at demonstrating the value of its GI registration system.³⁴

63. With respect to the issue of "like product", both the Appellate Body and panels have been clear that, where there is a measure of general application (*i.e.*, not directly regulating specific products), the relevant "like product" consideration is not whether particular traded products are "like", but rather whether the measure at issue makes distinctions between products based solely on

³³ See US First Written Submission at paras. 104-107.

³⁴ E.g., "Geographical Indications: An Opportunity for Japanese Specialty Products", Tokyo – Osaka, 10-12 March 2004 (showing pricing differentials for GI vs comparable non-GI products). Exhibit US-44.

origin.³⁵ As the Appellate Body has noted, the term "like product" in Article III:4 of the GATT 1994 "is concerned with competitive relationships between and among products."³⁶ The issue is whether

any formal differentiation in treatment between an imported and a domestic product could be based upon the fact that the products are different – *i.e.*, not like – rather than on the origin of the products involved.³⁷

64. In the case of the GI Regulation, the only difference between the products that may benefit from GI registration and protection – products from the EC – and those that may not so benefit on similarly favorable terms – products from other WTO Members – is their origin. Consequently, the EC agricultural products and foodstuffs that are eligible for GI registration under one set of criteria and the non-EC agricultural products and foodstuffs that are eligible only if they satisfy an additional set of criteria are like products for purposes of Article III:4.

65. The EC GI Regulation itself offers evidence that both the intent and the effect of the Regulation is to provide competitive benefits on qualifying products. Further, however, the Regulation, on its face, provides for a lack of equality of competitive conditions between domestic products, on the one hand, and imported products on the other, by providing for numerous competitive advantages on qualifying products and by imposing barriers to access to those advantages on imported products. Panels in previous disputes, in analyzing "less favourable treatment", have examined the lack of equality of competitive conditions provided in the measure itself, without reliance on an actual demonstrated impact in the marketplace. *E.g., US – Section 337*³⁸; *US – Gasoline*³⁹. Therefore, evidence of an "actual" modification of competitive conditions in the marketplace is not required. Indeed, the Appellate Body in *US – FSC (Article 21.5)* stated that

The examination of whether a measure involves "less favourable treatment" of imported products within the meaning of Article III:4 of the GATT 1994 must be grounded in close scrutiny of the "fundamental thrust and effect of the measure itself". This examination cannot rest on simple assertion, but must be founded on a careful analysis of the contested measure and of its implications in the marketplace. At the same time, however, **the examination need not be based on the actual effects of the contested measure in the marketplace.**"⁴⁰

Q33. Is there a public policy requirement specific to GIs which underlies the requirement that a group or person must send a registration application under Regulation (EC) No. 2081/92 to the EC Member State or authorities of a third country in which the geographical area is located, rather than directly to the Commission? EC

³⁵ See Panel Report, *US – FSC (Article 21.5 – EC)*, paras. 8.133 (Finding it unnecessary "to demonstrate the existence of actually traded like products in order to establish a violation of Article III:4" when a measure makes distinctions "between imported and domestic products" that are "solely and explicitly based on origin.") See also Panel Report, *India – Autos*, para 7.174 (when origin is "the sole criterion distinguishing the products, it is correct to treat such products as like products within the meaning of Article III:4.")

³⁶ Appellate Body Report, *EC – Asbestos*, para. 103. See also discussion of *Alcohol* disputes in section IV.A.1.b.ii(2) of US First Written Submission.

³⁷ Panel Report, *US – FSC (Article 21.5 – EC)*, para. 8.132

³⁸ *United States – Section 337 of the Tariff Act of 1930*, Panel Report, adopted 7 November 1989, BISD 36S/345, para. 5.11.

³⁹ *United States – Standard for Reformulated and Conventional Gasoline*, Panel Report, WT/DS2/R, adopted 20 May 1996, as modified by Appellate Body Report, WT/DS2/AB/R.

⁴⁰ *United States – Tax Treatment for "Foreign Sales Corporations"*, Appellate Body Report, WT/DS108/AB/RW, adopted 29 January 2002, para. 215 (emphasis added).

Q34. Is there a public policy requirement specific to GIs which underlies the requirement that a person wishing to object to a registration under Regulation (EC) No. 2081/92 must send an objection to the EC Member State or authorities of a third country in which he resides or is established, rather than directly to the Commission? EC

Q35. Has an objection to the registration of a name under Regulation (EC) No. 2081/92 ever been filed by a person from a third country? If so, what happened? EC

Q36. Has any person ever sent an objection to the registration of a name under Regulation (EC) No. 2081/92 to your authorities? If not, do you know the reason? If so, did your authorities transmit it to the EC Commission? USA, AUS

Response:

66. As in the case of registrations, no US government agency has established regulations or procedures to receive, process, or transmit objections to the registration of names under the EC GI Regulation. Therefore, US persons have no means of raising objections within the meaning of Article 12b of the EC GI Regulation. After consulting with agencies to which such objections might have been presented, the United States is not aware of any formal objections being presented to it to be processed by the United States in accordance with the EC GI Regulation.

67. It is a matter of public record, however, that there are a considerable number of US stakeholders that are negatively impacted by the registration of GIs in the EC, but who did not have the means to present their concerns or objections to the EC Commission. The United States attaches, as Exhibit US-39, a letter from US Dairy Export Council and the National Milk Producers Federation to the Office of the United States Trade Representative, dated March 26, 2004, which states that because of the discriminatory nature of the GI Regulation, "dairy producers and processors have been unable to prevent the registration as protected GIs in the EU of a number of cheese types that had clearly become generic names before their registration." This interferes with their ability to use food names that they have developed over a large number of years.

68. In addition, the EC has apparently registered three names from the Czech Republic as part of the accession protocol of the Czech Republic to the European Union.⁴¹ The registration of these names is of concern to a US stakeholder, but the United States is aware of no available means for that stakeholder to object to the registration. Under Article 7 of the GI Regulation, an objection is based on a review of the application for registration of a name and the product specification that accompanies the application. In the case of these three names, there was no application for registration, and, as far as the United States is aware, no product specification. Indeed, repeated requests for a copy of any proposed product specification for these names have been rebuffed by the EC. Nor, as far as the United States is aware, was any application for registration made public by the EC under Article 6(1) and (2) of the GI Regulation. In sum, it appears that these names have been registered without any ability to object to them. Nor was there an ability to object to other names registered as GIs upon accession of new EC member States, or upon adoption of Regulation 2081/92. This is significant, since of the 612 GIs registered in the EC, 487, or 80 percent, were registered in this way.⁴²

Q37. Please indicate examples of other international arrangements, such as the Madrid Protocol, under which national governments cooperate by acting as agents or intermediaries in the protection

⁴¹ These three names were provided as Exhibit COMP-3.c, paras. 18(a)-(b).

⁴² The 487 GIs registered in this way are recorded in Commission Regulation 1107/96, as amended (Exhibit COMP-3(a)). The 125 remaining registered GIs are recorded in Commission Regulation 2400/96, as amended (Exhibit COMP-4(a)).

of private rights. Which of these arrangements are established under international treaties and which under the legislation of one of the parties to the arrangement? Which are relevant to the matter before the Panel? USA, AUS, EC

Response:

69. There are a number of examples in which parties have voluntarily come together to mutually agree to facilitate the protection of private rights. Under the Madrid Protocol, the United States, like other Contracting Parties, agrees to provide a mechanism for US trademark owners to file an international application through the United States Patent and Trademark Office ("USPTO") that is then forwarded to WIPO, which sends the application to the national office of the Contracting Parties in which the applicant requested an extension of protection. This Protocol is a mechanism of mutual convenience for trademark owners to which the United States and other countries voluntarily agreed: instead of having to file applications in numerous countries, the trademark owner files one application, which is then forwarded to those countries (which, then process the application according to their domestic trademark law). This is not an example in which one WTO Member is requiring that trademark applications from nationals of another WTO Member be submitted to that Member, reviewed for compliance with the other Member's trademark law, and then transmitted along with a demonstration that particular protection and enforcement regimes are in place in the territory of the national making the application.

70. Similarly, the Patent Cooperation Treaty (PCT) provides for a filing mechanism in which a patent applicant can file an international patent application with the patent office of the PCT Contracting State in which they reside, eventually enter national stage processing of the patent application, and thereby effectively apply for patent protection for an invention in each of the relevant Contracting States. Under the PCT, the applicant may obtain a non-binding search and examination of the application, but the final determination on patentability is made by, and under the national law of, each of the designated Contracting Parties. Once again, this is an agreed mechanism for the mutual convenience of the Contracting Parties' nationals: it is not a case of one WTO Member unilaterally requiring another Member to assess or ensure compliance with the first Member's patent laws, or to demonstrate the existence of any particular protection or enforcement mechanism within its territory.

71. Another example in the patent area is the Budapest Treaty, which provides that Contracting States allowing or requiring the deposit of microorganisms as part of a patent application shall recognize the deposit of a microorganism with any international deposit authority. As part of this treaty, the Contracting Parties also agree to a set of requirements with respect to those deposits. Again, this is not the case of one WTO Member requiring another Member to assess whether the deposit complies with the first Member's laws. To the contrary, the Contracting Parties have mutually agreed to a set of requirements with respect to these deposits. And again, there is no unilateral requirement that the other Member demonstrate to the first Member that it has put into place a particular protection or enforcement mechanism within its territory.

72. These examples are relevant for several reasons. First, they facilitate, rather than hinder, the ability of foreign nationals to seek intellectual property rights in the territories of other Treaty Members. Second, they recognize the validity of the underlying intellectual property right – as created in the territory of any Treaty Member. In other words, no Treaty Member is obligated to meet the standards of another Treaty Member to ensure that its nationals are eligible to seek and obtain protection in the territories of other Treaty Members. Further, in none of these agreements were WTO Members unilaterally imposing particular protection or enforcement regimes on another Member. Rather, recognizing that private parties seek protection for their private rights directly under the laws of the Member in which protection is sought, these agreements provide voluntary mechanisms for facilitating the pursuit of such protection.

Q38. If a group or person interested in a GI in your territory were to send an application for registration or objection to registration under Regulation (EC) 2081/92 to your authorities, would your Government be able and/or willing to transmit such an application to the EC Commission? If not, please explain why. USA, AUS

Response:

73. As an initial matter, the important question is not the willingness of the United States to transmit an application or objection, but whether, by requiring Members to do so the EC is making legal means available to all interested parties and is according no less favorable treatment to all US nationals than it provides to EC nationals. As noted above, where "Member to Member" interactions exist, they are generally established as the result of a negotiated treaty – not as the result of the unilateral requirements of one Member.

74. This said, from a practical point of view, 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 registration applications and objections to the EC. However, this fact alone is not particularly relevant, for several reasons. First, the fact that the United States may be able to set up such an office does not mean that all WTO Members would be in a similar position from a resource point of view. Nationals of countries who cannot are effectively barred from access to the EC system. Second, the fact that the United States would likely be willing to transmit all such documents does not mean that all WTO Members would. It may well be that, in order to avoid aggravating already difficult negotiations with the EC over GIs, for instance, other WTO Members would hesitate transmitting a controversial or politically sensitive registration application or objection.

75. Perhaps more significant, the EC GI Regulation does not simply require the transmission of applications and objections. Putting aside the fact that a WTO Member must first satisfy equivalence and reciprocity requirements under Article 12(3) of the GI Regulation before it can even apply for a GI Registration, Article 12a(2) of the GI Regulation would require the United States to (1) make a determination that the requirements of the GI Regulation are satisfied; (2) provide a description of the legal provisions and usage on the basis of which the geographical indication is protected or established in the United States; (3) make a declaration that the full inspection structures for agricultural products and foodstuffs are established in the United States (*i.e.*, the same inspection structures required of EC member States); and submit other documentation that would support the application. Aside from the fact that these are requirements that go beyond mere "transmission", it is not even clear on what basis a US government authority would be in a position to assess whether the application meets the requirements of the EC GI Regulation. Similar questions arise with respect to whether a person has standing under the GI Regulation to object to a GI registration, or whether the objection is sufficiently substantiated.

Q39. Does an EC member State participate in decision-making on a proposed registration either in the Committee established under Article 15 of Regulation (EC) No. 2081/92 or in the Council of Ministers, where that EC member State transmitted the application or an objection to it to the Commission? Is the EC member State identified with the applicant or person raising the objection in any way? Are there any limits on the participation of the EC member State – for instance, can it object to an application which it transmitted? EC

Q40. How many applications to register names under Regulation (EC) No. 2081/92 have been considered by the Committee established under Article 15 of the Regulation or the Council of Ministers? EC

Q41. In paragraph 137 of your first written submission, you indicate that the term "such names" in the second sub-paragraph of Article 12(2) of Regulation (EC) No. 2081/92 is a reference to the first sub-paragraph of Article 12(2), and that this means that the requirement to indicate the country of origin applies where "a protected name of a third country is identical to a Community protected name". Please clarify the meaning of the following terms, as used in Article 12(2) of Regulation (EC) No. 2081/92:

- (a) *what is the meaning of the term "protected" in the phrase "a protected name of a third country"?*
- (b) *does the phrase "a Community protected name" cover both names of geographical areas located in the EC as well as in third countries, registered under the Regulation?*
- (c) *does the requirement to indicate the country of origin apply also where a name of a geographical area located in the EC is identical to a Community protected name (irrespective of whether this Community protected name is the name of a geographical area located in the EC or in a third country). EC*

Q42. If Article 12(2) of Regulation (EC) No. 2081/92 applies to the registration of a name of a geographical area located in the EC that is identical to a name, already registered in the EC, of an area located in a third country, what is the difference in its scope compared to Article 6(6) of the Regulation? Why is it necessary to cover this situation in both provisions? EC

Q43. Where does Regulation (EC) No. 2081/92 provide for the registration of a name of a geographical area located in a third country WTO Member which is a homonym of an already registered name? Where does it provide for the registration of a name which is a homonym of an already registered name of a geographical area located in a third country WTO Member? EC

Q44. Can the EC provide the Panel with any official statement predating its first written submission that Article 12(2) of Regulation (EC) No. 2081/92 applies to names of geographical areas located in the EC and that Article 12(2) will be applied on the basis of the date of registration? EC

Q45. With respect to paragraph 135 of the EC's first written submission, could the Council of Ministers prevent a registration because the Commission applied Article 12(2) to names of geographical areas located in the EC on the basis of the date of registration? EC

Q46. Has a judicial authority ever ruled on the applicability of Article 12(2) of Regulation (EC) No. 2081/92? If the Commission applied Article 12(2) to the name of a geographical area located in the EC on the basis of the date of registration, could that action be subject to judicial review due to the fact that the area was located in the EC? EC

Q47. Are you aware of any GIs registered under Regulation (EC) No. 2081/92 that are identical or confusingly similar to Community protected trademarks owned by your own nationals? USA, AUS

Response:

76. Those stakeholders with the strongest direct interest in trademark rights have a substantial concern that registered GIs can and will give rise to confusion with trademarks in the marketplace, and that the trademark owner would be powerless to prevent such use. Trademark owners see a real threat in the GI Regulation. In this connection the United States would like to share with the Panel a written comment that the United States received on March 26, 2004, before this Panel was composed, from the International Trademark Association (INTA), which is attached as Exhibit US-45. INTA

describes itself as a 126-year-old not-for-profit organization of more than 4000 members from more than 150 countries and the largest organization in the world dedicated solely to the interests of trademark owners. INTA expresses its concern, on behalf of its members, that the forced "coexistence" between trademarks and confusingly similar GIs in the GI Regulation, "which introduces consumer confusion into the marketplace and impairs the substantial investment made by trademark owners, is incompatible with the fundamental rules of exclusivity of the prior right as endorsed in Article 16 of the TRIPS Agreement and is highly discriminatory against trademarks".

77. In addition, there are three registered geographical indications, set out in paragraph 18 of Annex II of the Czech Republic's Act of Accession (included as Exhibit COMP-3.c) that present concerns. The names are Budejovické pivo, Ceskobudejovické pivo and Budejovický mešt'anský var.

78. Based on these registrations, a Czech producer has claimed entitlement to use the names "Budweiser Budvar", "Budweis", and "Budbräu" on Czech beer sold in Sweden. In trademark infringement proceedings pending before the Swedish courts, a US company holding prior valid registered Swedish trademarks for the names BUDWEISER, BUD and BUDWEISER KING OF BEERS has brought trademark infringement claims against the Czech producer, arguing that use by the Czech producers of "Budweiser Budvar", "Budweis", and "Budbräu" on Czech beer sold in Sweden raises a likelihood of confusion. In its defense, the Czech producer has argued that the GI registration recorded in paragraph 18 of Annex II of the Czech Republic's Act of Accession includes the right to use the registered GIs (Budejovické pivo, Ceskobudejovické pivo and Budejovický mešt'anský var) in translation, and that "Budweiser Budvar", "Budweis", and "Budbräu" constitute German translations of one or another of the three registered GIs.

79. Additionally, as noted at paragraph 50 of the United States' oral statement, there are many registered trademarks around the world that incorporate or sound like geographical names, which could give rise to a likelihood of confusion. For example, FARO is a registered Community Trademark used in connection with coffee and tea.⁴³ If the residents in the town of Faro, Portugal, begin to produce coffee or tea, and these products are registered pursuant to the GI Regulation, then the owner of the registered Community Trademark will be unable to prevent the rightholders of the Faro GI from using the Faro name in a manner that causes a likelihood of consumer confusion.

Q48. Would the United States pursue any claim in respect of Article 12(2) of Regulation (EC) No. 2081/92 if that provision only applies to identical names? USA

Response:

80. Yes. Although the United States submits that Article 12(2) appears to apply to all protected names of a third country, that provision is inconsistent with the national treatment obligations even if it applies only to third country names that are identical to protected EC name. In effect, under such a reading of Article 12(2) in the case of identical names, it is the third country GI, and not the EC GI, that must be burdened by a clear and visible indication of the country of origin on the label. This is a violation of national treatment obligations.

Q49. Do you seek separate rulings on the procedural aspects of Regulation (EC) No. 2081/92 or a ruling on the Regulation as a whole? For example, should the provision in Article 12(2) be examined in isolation, or would it be appropriate to adopt an approach like the Panel in Korea – Beef, which only examined a display sign requirement within its findings related to a system as a whole? USA, AUS, EC

⁴³ EC OHIM Application No. 000957100 (Registered March 24, 2000). Exhibit US-46.

Response:

81. The United States is seeking specific findings on each of the aspects of the EC GI Regulation it has raised, in order to assist in securing a positive result in this dispute.

Q50. In paragraph 451 of its first written submission, the EC argues that labels which address the geographical origin of a product cannot be considered a technical regulation under the TBT Agreement, since they do not apply to a "product, process or production method". Why in the EC's view is the geographical origin of a product not related to that product or its process or production method? Does the coverage of the TBT Agreement with respect to labels depend on the content of the labels? EC

Q51. How should the term "like products" be interpreted under Article 2.1 of the TBT Agreement? If the labelling requirement in Article 12(2) of Regulation (EC) No. 2081/92 applies to situations where identical names arise between imported products and EC products, but does not apply to situations where identical names arise between two EC products, to what extent would this be a distinction between "like situations" rather than a distinction between "like products"? AUS, EC

Q52. Does Australia allege that Article 12(2) of Regulation (EC) No. 2081/92 provides any less favourable treatment to imported products besides labelling costs? AUS

Q53. The EC argues in paragraph 88 of its first written submission that Article 12(2) of Regulation (EC) No. 2081/92 is meant to be read in the following way: "whichever indication is registered later would normally be required to indicate the country of origin." If the EC interpreted Article 12(2) this way in practice, would this satisfy Australia, or would Australia also view this interpretation as providing less favourable treatment to imported products? AUS

Q54. Article 12(2) of Regulation (EC) No. 2081/92 is designed to avoid "practical risks of confusion". How would the application of the country of origin label on the basis of a product's date of registration help avoid those risks of confusion? EC

Q55. Does the TRIPS Agreement apply as lex specialis as regards GATT 1994 and the TBT Agreement, with respect to a practical condition to differentiate homonymous or identical GIs on a label? Please comment in the light of Article 23.3 of the TRIPS Agreement, which is applicable to homonymous GIs for wines, and the national treatment obligation, which is applicable to GIs for other products. USA, AUS, EC

Response:

82. WTO Members must comply with each of the obligations that apply with respect to homonymous or identical GIs – whether the TRIPS Agreement, GATT 1994, or the TBT Agreement. Where the TRIPS Agreement provides, for instance, in Article 23.3 that Member should determine the practical conditions under which homonymous wine indications will be differentiated from each other, such differentiation should not result in less favorable treatment of nationals of other WTO Members with respect to the protection of GIs, and should not result in less favorable treatment of products from other WTO Members. As the Appellate Body has made clear on several occasions, different treatment is not necessarily less favorable treatment.

Q56. With reference to paragraphs 17-21 of the US oral statement, does the Panel need to consider the US arguments concerning the declaration under Article 12a(2) of Regulation (EC) No. 2081/92 and the inspections structures, if it reaches a conclusion on the applicability to WTO Members of the equivalence and reciprocity conditions in Article 12(1)? USA

Response:

83. Yes, the Panel should consider the US argument with respect to the required declaration and the inspection structures regardless of its findings with respect to the applicability to WTO Members of the equivalency and reciprocity conditions. The reason is that if the Panel finds that the GI Regulation requires WTO Members to comply with the reciprocity and equivalence conditions specified in the Regulation (rejecting the unsupported opinion of the Commission), and further finds that these conditions are inconsistent with WTO obligations, the EC could simply amend the regulation to remove these conditions in Article 12(1), with the result that the equivalence requirement imposed through the inspection structure requirement in Article 12a(2) might remain. It is important to a resolution of this dispute, therefore, that the Panel make a finding as to the EC requirement that the United States adopt the same inspection structures as are required of EC member States.

84. In addition, the arguments concerning the declaration and the inspection structures are also relevant to the argument that requiring the intercession of the US government is itself inconsistent with national treatment and with Article 22.2 of the TRIPS Agreement, which is separate from the argument that requiring reciprocity and equivalence is inconsistent with national treatment obligations.

Q57. Does the EC consider that it may apply equivalence and reciprocity conditions to WTO Members under Article 12a(2) or any other provision of Regulation (EC) No. 2081/92, even if Article 12(1) does not apply to them? EC

Q58. Please clarify whether your claim is that the requirement of the existence of an inspection structure as a condition for the registration of a GI is inconsistent with WTO obligations per se, or the particular inspection structures requirements under Regulation (EC) No. 2081/92, are inconsistent with the EC's WTO obligations. In the latter case, please specify in detail which aspects of the inspection structures required under the Regulation are inconsistent with the EC's WTO obligations. USA, AUS

Response:

85. Dictating that a Member have a particular inspection structure to (1) enforce agricultural product and foodstuff GIs in general in the United States, and (2) ensure compliance with the requirements of the EC GI Regulation, is itself inconsistent with the EC's WTO obligations. Such a unilateral requirement by the EC is not related to the question of whether the product for which GI protection is sought in the EC qualifies for that protection under the specifications submitted under the GI Regulation for that product. Indeed, the particular method chosen by another WTO Member to enforce GI rules in its territory is not relevant to such a determination.

Q59. Under what circumstances would the Commission consider the holder of a GI certification mark registered in another WTO Member to meet the requirements for inspection structures under Article 10 of Regulation (EC) 2081/92 (read together with Article 12a of that Regulation)? EC

Q60. Australia argues that the EC's inspection structures requirements are a technical regulation under the TBT Agreement (paragraphs 209-224 of its first written submission). Is there a dividing line lies under the TBT Agreement between a technical regulation and a conformity assessment procedure? If so, where does it lie? AUS, EC

Q61. If the inspection structures are conformity assessment procedures, are the eligibility criteria for registration under Regulation (EC) No. 2081/92, against which conformity is assessed, technical regulations? AUS, EC

Q62. With respect to paragraph 259 of Australia's first written submission, can Australia provide examples of alternatives to the EC's inspection structures which would be less trade restrictive and achieve the same objective? AUS

Q63. What does Article 14(2) of Regulation (EC) No. 2081/92 mean where it provides that a prior trademark "may continue to be used"? Can a trademark owner invoke the rights conferred by the trademark registration against the user of a GI used in accordance with its GI registration? EC

Q64. Does Article 14(2) of Regulation (EC) No. 2081/92 implement the provision in Article 24.5 of the TRIPS Agreement that measures adopted to implement the Section on GIs shall not prejudice "eligibility for or validity of the registration of a trademark, or the right to use a trademark" or does it only implement the provision that such measures shall not prejudice "the right to use a trademark"? EC

Q65. Does the scope of Article 14(2) of Regulation (EC) No. 2081/92, as drafted, include trademarks applied for or registered, or to which rights have been acquired, subsequent to both dates set out in Article 24.5(a) and (b) of the TRIPS Agreement? EC

Q66. Has Article 14(2) of Regulation (EC) No. 2081/92 ever been applied in a specific case? For example, what did the national courts finally decide in the Gorgonzola case, referred to in Exhibit US-17 and in footnote 140 to paragraph 163 of the US first written submission, after the order of the European Court of Justice? EC

Q67. Does Article 14(3) of Regulation (EC) No. 2081/92 affect the possibility of coexistence of GIs already on the register with prior trademarks, such as Gorgonzola? In these cases, is Article 14(3) relevant to the applicability of Article 14(2)? EC

Response:

86. In the view of the United States, Article 14(3) does not affect the possibility of "coexistence" of GIs already on the register with prior trademarks. The EC argues that "geographical names" are generally not distinctive and, therefore, not often apt for registration as trademarks.⁴⁴ This argument attempts to minimize the violation of TRIPS Article 16.1 by arguing that few trademarks that contain or consist of a GI are registrable, and thus that there will rarely be a conflict between a trademark that contains or consists of a GI and an identical or similar GI. Even if the Panel were to accept that the potential set of trademarks is small, however, those trademarks that are validly registered would potentially fall in the category of trademarks subject to "coexistence" under Article 14(2).

87. As the United States stated at the first meeting,⁴⁵ Article 14(3) of the GI Regulation does not entirely satisfy the obligations under Article 16.1 of the TRIPS Agreement. First, Article 16.1 articulates a right that is owed under the TRIPS Agreement to the owner of any valid registered trademark, while Article 14(3) comes into play (and does so only through action by the EC) only where there exists a trademark with a reputation, renown, and history of use. Second, it is not necessarily possible, at the time of registration of the GI, for the trademark owner to know from the GI registration itself 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. By the time a registered trademark owner realizes that a registered GI is being used in a manner that causes a likelihood of confusion with respect to the trademark, however, it may be too

⁴⁴ E.g., EC First Written Submission, para. 279.

⁴⁵ See Oral Statement by United States, paras. 51-55.

late to challenge the registration under Article 14(3). Third, as explained in the US response to Question 36, GIs may be registered outside the scope of the established procedures under the GI Regulation, such as through an accession treaty, in a manner that precludes any objections based on Article 14(3) or any other provision of the GI Regulation.

Q68. Article 14(3) of Regulation (EC) No. 2081/92 mentions certain criteria. If these are not exhaustive, why does it not expressly state as in Articles 3(1), 4(2) and 6(6) of the Regulation? Do other criteria, such as similarity of signs and goods fall within "reputation and renown"? Is the criterion of "length of time [a trade mark] has been used" relevant to its liability to mislead if the trademark has not been used for a significant, or considerable, length of time? EC

Q69. Can the EC provide the Panel with any official statement predating its first written submission that application of the grounds for registration, invalidity or revocation of trademarks and Article 14(3) of Regulation (EC) No. 2081/92 will or should be applied in such a way as to render Article 14(2) inapplicable? EC

Q70. Do the EC member States agree with the Commission's submission to this Panel that the terms of Article 14(3) of Regulation (EC) No. 2081/92, if properly interpreted, are sufficient to prevent the registration of any confusing GIs? Could the EC member States apply national trademark laws in a way that made this impossible? Could the Council of Ministers prevent the application of Article 14(3) of the Regulation if proposed by the Commission in a specific case and apply Article 14(2)? EC

Q71. Has a judicial authority ever ruled on the interpretation of Article 14(3) of Regulation (EC) No. 2081/92? If Article 14(3) of the Regulation, the Community trademark regulation and national trademark laws were applied in such a way as to prevent the registration of GIs that were confusing with a prior trademark, could this be subject to judicial review? EC

Q72. The Panel notes the responses of Members to the Checklist of Questions in document IP/C/W/253/Rev.1 cited by the EC in footnote 150 of its first written submission, which show that there are diverse approaches taken by several Members to accommodate possible conflicts between GIs and prior trademarks. Would this mean that the TRIPS Agreement, in particular Article 24.5, allows for some degree of flexibility for individual WTO Members to implement their obligations? USA, AUS

Response:

88. The TRIPS Agreement does allow for a certain amount of flexibility in implementing obligations. As Article 1.1 of the TRIPS Agreement states, "Members shall be free to determine the appropriate method of implementing the provisions of this Agreement within their own legal system and practice."

89. However, Article 1.1 is equally clear that Members are to give effect to the provisions of the TRIPS Agreement, and that Members may implement more extensive protection than is required provided that such protection does not contravene the provisions of the Agreement. One such provision that may not be contravened is Article 16.1. A Member must, under Article 16.1, grant trademark owners the right to exclude all others from using identical or similar signs that result in a likelihood of confusion. Similarly, a Member must observe its obligations under Articles 22.2 and 22.3. As the United States explains in response to question 79, there is nothing inconsistent or mutually exclusive about these obligations. In determining what "flexibility" to grant WTO

Members, the Panel should adopt an interpretation that gives each provision its full scope, in light of the presumption in public international law against conflict between obligations.⁴⁶

90. Further, the United States notes that the referenced document discusses conflicts between trademarks and GIs in general terms, and generally with respect to the issue of whether a GI will be registered. It does not, however, address a key question that is before the Panel: regardless of whether a GI is registered or not, does the trademark owner retain his Article 16.1 rights to prevent uses of similar or identical signs that give rise to a likelihood of confusion. The EC essentially argues that Article 22 supersedes Article 16.1 in importance (although the EC also supports the contrary argument by saying that – under TRIPS – GI rights do not supercede trademark rights; thus it is not entirely clear what the EC's actual position is), and then supports this argument by suggesting that the US wine labeling system provides for "co-existence." The issue, however, is the right of trademark owners to prevent confusing uses of his signs. Under US law, consistent with the requirements of Article 16.1 of the TRIPS Agreement, the United States provides the legal means for the owners of registered trademarks to prevent infringing uses of signs. *See also* response to question 3 from the European Communities.

Q73. Please supply a copy of the wine regulations referred to in paragraph 16 of the EC oral statement. EC

Q74. Which particular GIs did the EC protect under Regulation (EC) No. 2081/92 prior to 1 January 1995? Is Article 24.3 of the TRIPS Agreement relevant to any other GIs? EC

Q75. Which party bears the burden of proof in relation to:

- (a) *Article 24.5 of the TRIPS Agreement? In particular, does this relate to the scope of the obligation in Article 16.1? Does it create an exception for measures otherwise covered by Article 16.1? Or neither?*

Response:

91. Since the EC is arguing that Article 24.5 is an affirmative defense 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), it is the EC, as the party asserting the defense, that bears the burden of proof. As the Appellate Body noted in *Japan – Apples*, "although the complaining party bears the burden of proving its case, the responding party must prove the case it seeks to make in response."⁴⁷

92. The United States notes, however, that, in its view, Article 24.5 is not an exception to the obligations in Section 2: Trademarks, which includes Article 16.1; rather it is an exception to the obligations in Section 3: Geographical Indications. See also Response to question 78 below.

- (b) *Article 17 of the TRIPS Agreement? In particular, does this only permit exceptions to the rights conferred by a trademark, or does it also create an exception to the obligations imposed on Members? USA, AUS, EC*

Response:

93. As the party asserting that its GI Regulation falls within the Article 17 exception, it is the EC, as the party asserting the defense, that bears the burden of proof. As the Appellate Body noted in

⁴⁶ Panel Report, *Indonesia – Autos*, para. 14.28.

⁴⁷ Para. 154.

Japan – Apples, "although the complaining party bears the burden of proving its case, the responding party must prove the case it seeks to make in response."⁴⁸

94. Article 17 of the TRIPS Agreement permits Members to provide limited exceptions to the rights conferred by a trademark, such as fair use of descriptive terms. However, the Members, in providing for such exceptions to trademark rights, must ensure that they are limited, and must ensure that any such exceptions take account of the legitimate interests of the owner of the trademark and of third parties. Indeed, as the United States explained in its oral statement, the exception to Article 16.1 rights in the EC GI Regulation is not limited and it does not take into account the legitimate interests of the trademark owner or of third parties. As the United States noted in its oral statement, at paragraph 75, it is 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. It is possible in this sense simultaneously to protect the legitimate interests of the consumer, the GI owner and the trademark owner. The GI Regulation makes no such distinctions, but simply offers a broad immunity from a finding of trademark infringement based purely on whether a particular GI has been registered.

95. Article 14(2) of the GI Regulation, which the EC asserts meets the strict requirements of Article 17 of the TRIPS Agreement, automatically and in every case (according to its terms) divests a trademark owner of its right to prevent use of an identical or similar registered GI in a way that raises a likelihood of confusion. This is so even if the trademark owner could demonstrate that the particular use of the GI at issue does not qualify as "fair use of [a] descriptive term[]." Under Article 14(2), the EC adopts an irrebuttable presumption that a registered GI's use will, in all cases, without consideration of the particular circumstances, constitute "fair use of descriptive terms." In the view of the United States, this is not a limited exception.

96. Finally, even under the EC's own interpretation of TRIPS Article 17, the EC fails to acknowledge that non-geographic names are subject to registration under Article 2(3) of the GI Regulation (e.g., Feta). Nothing in the EC's interpretation explains how the Article 17 fair use exception applies to non-geographic names.

Q76. Article 24.5 of the TRIPS Agreement uses the phrases "validity of the registration of a trademark" and "the right to use a trademark". Please set out your interpretation of these phrases, in accordance with the general rule of treaty interpretation in Article 31 of the Vienna Convention on the Law of Treaties and, if appropriate, the supplementary means in Article 32. Please explain how you determine what is the relevant context. USA, AUS, EC

Response:

"validity of the registration of a trademark"

97. As the United States explained in paragraphs 61-62 of its oral statement, the prohibition on prejudicing the "validity of the registration of a trademark," within the meaning of Article 24.5, requires Members to provide Article 16.1 rights to the trademark owner at issue. If a trademark remains registered, then, under Article 16.1, the owner of that registered trademark must be given its Article 16.1 rights.

98. The ordinary meaning of validity is "[t]he quality of being (esp. legally) valid,"⁴⁹ where "valid" refers to something "[p]ossessing legal authority" or "legally acceptable or binding."⁵⁰

⁴⁸ Para. 154.

⁴⁹ New Shorter Oxford English Dictionary, p. 3541. Exhibit US-47.

⁵⁰ New Shorter Oxford English Dictionary, p. 3541. Exhibit US-47.

Registration means "[t]he action of registering or recording,"⁵¹ and to "register" means to "[f]ormally enter or cause to be entered ... in a particular register."⁵² Therefore, under the ordinary meaning of these terms, the "validity of the registration" refers to the possession of legal authority accorded by virtue of the entrance of a trademark in a register. Thus, the meaning of "validity of the registration of a trademark" must be read in connection with the legal authority accorded by trademark registration, which is the right provided for in Article 16.1, in addition to rights under domestic law. Article 16.1 demonstrates the clear link between registration and the legal authority that must be accorded the trademark owner by the registration – the right to prevent all others from using a similar or identical sign that causes a likelihood of confusion. Trademark registration is virtually meaningless without the associated Article 16.1 rights.

99. Moreover, as the United States has explained in its oral statement,⁵³ TRIPS negotiating history reveals that the language of Article 24.5 evolved from a simple prohibition against invalidation of registration (in the Brussels Draft) to a requirement that Members not even "prejudice" the validity of the trademark registration.⁵⁴ This is a more stringent requirement, as the ordinary meaning of the term "prejudice" is "injury, damage, harm,"⁵⁵ while the earlier version simply prevented complete eradication of the mark. Thus, the addition of the word "prejudice" means that Article 24.5 protects more than just the removal of a trademark from the register, as the EC argues. At a minimum, it must prevent Members from eliminating the core right of a trademark registration – the Article 16.1 right to prevent all others from confusing use.

100. Article 15.1 of the TRIPS Agreement also provides relevant context, as it requires that the only signs "capable of constituting a trademark" are signs that are "capable of distinguishing the goods or services of one undertaking from those of other undertakings". Without the ability to exercise the Article 16.1 rights to prevent all others from confusing uses, the trademark may lose this ability to distinguish, and therefore may no longer be "capable of constituting a trademark."

101. Thus, the loss of the ability to distinguish goods or services certainly prejudices the "validity of the registration of a trademark".

"the right to use a trademark"

102. Beginning with the ordinary meaning, "right" refers to "[t]he standard of permitted and forbidden activity".⁵⁶ "Use" is defined as the "application or conversion to some purpose."⁵⁷ Thus, the ordinary meaning of "prejudice ... the right to use" is the harm or damage to the permitted or forbidden activity associated with application of a trademark to its purpose. From the context provided by Articles 15.1 and 16.1, the purpose of a trademark is to allow its owner to distinguish the owner's goods from the goods of others. Under Article 15.1, any sign or combination of signs capable of distinguishing the goods or services of one undertaking from those of another must be capable of constituting a trademark. Under Article 16.1, the owner of a registered trademark must "have the exclusive right to prevent all third parties ... from using in the course of trade identical or similar signs for goods or services which are identical or similar to those in respect of which the trademark is registered where such use would result in a likelihood of confusion." Further, Article 16.1 provides that this obligation does not affect the possibility of making rights available on the basis of use.

⁵¹ New Shorter Oxford English Dictionary, p. 2529. Exhibit US-47.

⁵² New Shorter Oxford English Dictionary, p. 2528. Exhibit US-47.

⁵³ Oral Statement of the United States, paras. 64-65, Exhibit US-25.

⁵⁴ Exhibit US-25.

⁵⁵ New Shorter Oxford English Dictionary, p. 2333. Exhibit US-47.

⁵⁶ New Shorter Oxford English Dictionary, p. 2598. Exhibit US-47.

⁵⁷ New Shorter Oxford English Dictionary, p. 3531. Exhibit US-47.

103. A contextual consideration in interpreting this phrase is that the chapeau to Article 24.5 refers to certain trademarks "applied for or registered", and the chaussette states that measures shall not prejudice "eligibility for or the validity of the registration of a trademark"; further, the chapeau also refers to certain trademarks whose rights "have been acquired through use", and the chaussette refers correspondingly to the obligation not to prejudice the "right to use" a trademark. Contextually, particularly considering that Article 16.1 specifically anticipates Members making trademark rights (*e.g.*, the right to exclude others) available based on use, there is support for an interpretation that the "right to use a trademark" refers, at least in part, to the right provided for under a Member's national law to acquire and continue to maintain trademark rights through use. In this way, both phrases in this question – the "validity of the registration of a trademark" and the "right to use a trademark" refer to the right of the owner of the trademark to exclude others from using similar signs (*i.e.*, to be able to distinguish his goods from the goods of others), and the requirement of Article 24.5 is not to prejudice this right to exclude others.

104. There is support for this reading in the negotiating history. The predecessor provision to Article 24.5, Article 24.2 of the Brussels Draft, of November 1990, contained only an obligation not to take action to refuse or invalidate the registration of certain trademarks, with no reference to use. By the time of the Dunkel Draft, a year later, in December 1991, the inclusion of trademarks "acquired through use" in the chapeau appears at the same time as the obligation in the chaussette not to prejudice the "right to use a trademark".

105. However, "the right to use a trademark" is not specifically limited in the text to trademarks whose rights are acquired through use (although it would appear to include such trademarks). Rather the obligation not to prejudice the right to use a trademark – to harm or damage the permitted or forbidden activity associated with application of a trademark to its purpose – would include an obligation with respect both to registered and non-registered trademarks not to damage the ability to use the trademark to distinguish the goods of the owner from the goods of others. In this sense, too, not prejudicing the right to use the registered trademark means not prejudicing the ability of the owner of the registered trademark to use his trademark to distinguish his goods from the goods of others. Plainly, if the owner cannot exclude others from confusing uses of identical or similar signs, the owner's ability to use the trademark for its purpose is severely prejudiced.

Q77. Article 24.5 of the TRIPS Agreement uses the phrase "right to use" a trademark. Why did the drafters not choose to state, for example, "exclusive rights" or "rights under Article 16.1"? Is that fact relevant to interpretation of the phrase "right to use" a trademark? USA, AUS, EC

Response:

106. As suggested in the response to question 76, the phrase "right to use a trademark" references trademarks whose rights are "acquired through use", as set out in the Article 24.5 chapeau, and also the right to use a trademark for its purpose, *i.e.*, to distinguish the trademark owner's goods from the goods of others. It accurately describes the scope of the exception to GI protection. A reference to "exclusive right to use" would have been confusing, because the specific "exclusive right" in Article 16.1 is the right to exclude, not the right to use *per se*.⁵⁸ A simple reference to "exclusive rights", without the reference to use, would have been duplicative of the obligation not to prejudice the validity of the trademark, and also would not have clearly addressed the issue of trademarks acquired through use. Finally, simply referring to the "rights under Article 16.1" would also have been confusing, because there are three sets of rights described in Article 16.1: the right to exclude others from confusing uses, in the first sentence; "existing prior rights" in the first half of the third sentence; and the "rights" made available by Members on the basis of use, in the second half of the third sentence.

⁵⁸ With respect to patents, Article 28 uses the word "exclusive" in a similar manner.

Q78. With reference to paragraph 58 of the US oral statement, Article 24.5 of the TRIPS Agreement refers to trademarks; certain Members implement GI obligations through collective and certification marks; Article 25.2 refers to more than one category of intellectual property, as does Article 4 of the IPIC Treaty as incorporated by Article 35 of the TRIPS Agreement. Therefore, must the provisions dealing with each category of intellectual property covered in Part II of the TRIPS Agreement be restricted to one Section? Can the rights conferred by a category of intellectual property and an exception to them appear in different Sections of Part II? USA, AUS

Response:

107. As the United States has noted, Article 24.5 is a clearly-labeled "exception" to the protection of geographical indications in Part II, Section 3 of the TRIPS Agreement. It is not an exception to trademark protection, which appears in Part II, Section 2.

108. The United States would not extrapolate the interpretation of this specific provision to a broad conclusion that the provisions dealing with each category of intellectual property covered in Part II of the TRIPS Agreement must be restricted to its own section. Provisions that appear in one section of Part II, but that explicitly address rights related to another section of Part II, must, of course, be given effect. By contrast, the United States does not believe that a clearly-labeled "exception" to the scope of protection for a right defined in one section can be considered an "exception" to the scope of protection for a different right defined in another section.

109. In other words, a provision listed under the heading "exception" in a particular section logically carries with it the strong presumption that it is an exception to the scope of protection for the right defined in the section in which it appears. An "exception" excepts or "exempts" something from "the scope of a proposition."⁵⁹ The "scope of the proposition" in a given section of Part II of the TRIPS Agreement must refer to the scope of protection accorded by the provisions of that section. Thus, an "exception" to the geographical indication section (Section 3) is an exception to the obligations with respect to geographical indications under that section. This would appear particularly to be the case where, as here, each section of Part II of the TRIPS Agreement has its own exception provision.

110. By contrast, in the case of "transitional arrangements," which appear in an individual "Part" of the TRIPS Agreement, the logical presumption is that the provisions are not limited to any one part or section unless otherwise indicated. Suppose, instead, that each section of Part II of the TRIPS Agreement had its own individual section entitled "transitional arrangements." The presumption in that case would be that the transitional arrangements apply to each individual section, whether it be for trademarks, patents, copyrights, etc. This is the way in which the "exceptions" have been drafted.

111. The Appellate Body has interpreted provisions based on their place in the overall structure of the covered agreement at issue, giving careful consideration to the headings or titles of the sections in which the provisions appear. In *Canada – Dairy*, the Appellate Body stated that:

A strong presumption arises that the language which is inscribed in a Member's Schedule under the heading, "Other terms and Conditions", has some *qualifying* or *limiting* effect on the substantive content or scope of the concession or commitment.⁶⁰

⁵⁹ New Shorter Oxford English Dictionary at p. 872 (see definitions of "except" and "exception"). Exhibit US-47.

⁶⁰ *Canada – Measures Affecting the Importation of Milk and the Exportation of Dairy Products*, WT/DS103/AB/R (adopted 27 October 1999), para. 134 (emphasis in original).

112. This is equally true of a heading "exceptions." An "exception" provision to the geographical indications section should therefore be interpreted to limit the protection otherwise granted to geographical indications.

113. Apart from the placement of Article 24.5 in Section 3 of Part II, the United States has also noted that Article 24.5 does not substantively provide an exception to the scope of protection for trademarks set out in Article 16.1. The exceptions to the trademark rights are explicitly provided for in Article 17. Rather, it provides a "shield" against anything in the GI Section that could adversely affect grandfathered trademarks.

Q79. Is there a conflict between Articles 16.1 and 22.3 of the TRIPS Agreement? How may a Member avoid or resolve any potential conflict? USA, AUS

Response:

114. The United States does not believe there is a conflict between Articles 16.1 and 22.3 of the TRIPS Agreement. The obligations are not mutually exclusive and both can be implemented by a Member in a way that gives each its full scope. As the United States noted at paragraph 133 of its first written submission and paragraphs 41-42 of its oral statement, the TRIPS Agreement contains obligations to provide trademark and GI owners the right to exclude others from certain uses of signs or indications. The right for trademark owners, under Article 16.1, is the right to exclude all others from using identical or similar signs in a way that results in a likelihood of confusion. Under Article 22.3, trademarks that mislead consumers in a given territory as to the origin of goods should be refused registration or, if they are registered, subject to invalidation. Both of these provisions can and should be interpreted in a way that does not presume a conflict between them, based on the presumption in public international law against conflict.⁶¹ If a trademark is misleading to consumers in a given territory, it may be refused registration. If registered, however, and if it is not subject to invalidation, it must provide its owner the legal basis to exclude others within the territory from the confusing use of identical or similar signs.

Q80. Are any exceptions permitted to exclusive trademark rights under your domestic law for concurrent registrations, honest concurrent use or comparative advertising? If so, are these limited to other trademarks? Can they cover GIs? USA, AUS

Response:

115. The United States provides for several defenses to trademark infringement actions. Sections 33(b)(5) and (6) of the Lanham Act provide for what might be called honest concurrent use of two trademarks, but it should be emphasized that in the United States, concurrent use is allowed only to the extent that the marks are used in commerce in two different geographic areas within the United States. To allow for concurrent use of the two marks in the same area by two different owners would likely cause consumer confusion as to the source of the goods.

116. Section 33(b)(5) specifically refers to a situation where prior common law rights have been established in a particular limited area that conflict with a later federally registered trademark. This can lead to a court-ordered "concurrent use" of the two marks, but – as mentioned above – in different

⁶¹ As recognized by the Panel in *Indonesia – Autos*, at para. 14.28, "in public international law there is a presumption against conflict," which "is especially relevant in the WTO context since all WTO agreements," including all the provisions of the TRIPS Agreement, "were negotiated at the same time, by the same Members and in the same forum."

geographic areas within the United States.⁶² Section 33(b)(6) refers to a situation where a registered mark owner charges that an earlier registered mark infringes the later registered mark and the court can order concurrent use registrations. Again, such concurrent use would only be allowed in different geographic areas in the United States.⁶³

117. In the United States, these rules cover GIs, since GIs are also protected in the United States through the certification and collective mark system.

118. In addition, Section 33(b)(4) of the Lanham Act provides for a defense based on fair use of descriptive terms, *e.g.*, the use of an individual's name or a descriptive term including of geographic origin.⁶⁴ The descriptive terms that are covered by the "fair use" defense cannot be used as trademarks, *i.e.*, to distinguish the goods of one undertaking from those of other undertakings. The trademark in a descriptive term attaches only to the specialized, secondary meaning that a word has acquired, and not to its original, primary descriptive context. The fair use defense gives practical force to that distinction by protecting the public's right to continue using the primary descriptive value of words and thus to use that aspect of a word that falls outside the scope of the trademark. The central purpose of the fair use defense, in other words, is to protect the particular descriptive usages that are not covered by the trademark and thus are not, by definition, infringing uses.

119. In any case, "fair use" requires a case-by-case determination of entitlement to the limited exception, upon challenge by a trademark owner. For example, in *Schafer Co. v. Innco Management Corp.*, 797 F.Supp. 477 (E.D. N.C. 1992), aff'd 995 F.2d 1064 (4th Cir. 1993), the owner of the SOUTH OF THE BORDER trademark (associated with a theme park located south of the border between North Carolina and South Carolina) challenged the use by a motel owner of the words "Border Exit" and "South of Border Exit" on highway billboards that directed drivers to the motel. In defense, the motel owner raised the fair use defense, based on the fact that "South of the Border" is generally known as the name of the town surrounding and including the trademark owner's theme park.

120. The court first described the limits of the fair use exception under US law as follows:

[The user invoking fair use] must adapt and design his usage of the geographical term so as not to cause a likelihood of customer confusion.⁶⁵

⁶² 15 USC §1115(b)(5), Section 33(b)(5) of the Lanham Act, reads: "That the mark whose use by a party is charged as an infringement was adopted without knowledge of the registrant's prior use and has been continuously used by such party or those in privity with him from a date prior to (A) the date of constructive use of the mark established pursuant to section 7(c), (B) the registration of the mark under this Act if the application for registration is filed before the effective date of the Trademark Law Revision Act of 1988, or (C) publication of the registered mark under subsection (c) of section 12 of this Act: Provided, however, That this defense or defect shall apply only for the area in which such continuous prior use is proved...."

⁶³ 15 USC §1115(b)(6), Section 33(b)(6) sets forth another defense to infringement: "That the mark whose use is charged as an infringement was registered and used prior to the registration under this Act or publication under subsection (c) of section 12 of this Act of the registered mark of the registrant, and not abandoned: Provided, however, that this defense or defect shall apply only for the area in which the mark was used prior to such registration or such publication of the registrant's mark...."

⁶⁴ 15 USC §1115(b)(4), Section 33(b)(4) of the Lanham Act, sets forth the defenses to a claim of infringement that include: "that the use of the name, term, or device charged to be an infringement is a use, otherwise than as a mark, of the party's individual name in his own business, or of the individual name of anyone in privity with such party, or of a term or device which is descriptive of and used fairly and in good faith only to describe the goods or services of such party, or their geographic origin"

⁶⁵ *Schafer Co. v. Innco Management Corp.*, 797 F.Supp. at 481 (internal citations omitted).

Then, with respect to the particular use of "Border Exit", the court proceeded to examine the facts of the particular case at issue, in the following manner:

The phrase "Border Exit" accurately describes the location of the exit--Exit 1, either A or B--which travelers must take to reach defendant's motel. It does not purport to serve as a symbol of defendant's establishment or services. Nor does it in any way suggest to the traveling public that defendant's establishment is somehow connected with plaintiffs' establishment.

Moreover, defendant has adapted its design and usage of "Border" so as not to confuse the traveling public. First, "Border" modifies "Exit," a geographical term, rather than a service defendant provides. Second, the visual depiction of "Border" on defendant's billboards does not resemble the visual depiction of "Border" on any of plaintiffs' billboards. Finally, prominently displayed on the left half of each of defendant's billboards is defendant's tradename "Family Inns of America" and its logo. Nothing in the record suggests that defendant's use was anything other than a good-faith attempt to point travelers on I-95 in its direction, and § 1154(b)(4) permits defendant to do that without infringing upon plaintiffs' mark.⁶⁶

Similarly, the court found that the use of "South of Border" on the exit signs also constituted fair use.⁶⁷

121. Under the law of the United States, the defense of "comparative advertising" is a form of the defense of fair use. Comparative advertising is advertising that compares the relative qualities of competitive goods or services. As long as a competitor's trademark is used fairly and in good faith and only to describe or make reference to the goods or services of the trademark owner, such fair use in the form of comparative advertising will be available as a defense. This unauthorized use of a competitor's trademark can occur so long as the advertising does not contain misrepresentations or create a likelihood that purchasers will be confused as to source, identity, or sponsorship of the advertiser's product.

Q81. Please cite any authority for the proposition that a Member must comply with a particular WTO obligation through a single measure applicable throughout its territory. Is your claim concerning an "EC-wide" level of protection based on the fact that the EC's member States are also WTO Members? AUS

Q82. If the Panel were to uphold the complainants' claims under Article 16.1 of the TRIPS Agreement, how would conclusions with respect to the claims under Articles 1.1, 22.2, 24.5, 41.1, 41.2, 41.3 and 42, and under Articles 10bis(1) and 10ter(1) of the Paris Convention (1967) provide an additional contribution to a positive solution to this dispute? USA, AUS

Response:

122. Whether the Panel agrees or disagrees with the United States with respect to its Article 16.1 claim, conclusions with respect to the other US claims – in particular the claim under Article 22.2 that legal means are not being made available to interested parties and the failure to provide enforcement procedures related to such means – would assist the Parties in understanding the actions that the EC would need to take to bring its measure into conformity with its WTO obligations.

⁶⁶ *Schafer Co. v. Innco Management Corp.*, 797 F.Supp. at 481 (internal citations omitted).

⁶⁷ *Schafer Co. v. Innco Management Corp.*, 797 F.Supp. at 481, 482.

Q83. If the Panel were to reject the complainants' claims under Article 16.1 of the TRIPS Agreement, would there be any scope for it to uphold the claims under Articles 1.1, 22.2, 24.5, 41.1, 41.2, 41.3 and 42, and under Articles 10bis(1) and 10ter(1) of the Paris Convention (1967)? USA, AUS

Response:

123. Yes, the United States believes, for instance, that whether or not the GI Regulation is inconsistent with the EC's obligations under Article 16.1, the EC must nevertheless provide the legal means under Article 22.2 for interested parties to prevent the uses described in that Article, and must provide enforcement procedures with respect to those rights.

Q84. Are the procedures raised in the United States' claims under Article 22.2 of the TRIPS Agreement governed by Part IV of the TRIPS Agreement? If so, can they also be governed by Part II? USA

Response:

124. Article 22.2, in Part II of the TRIPS Agreement, requires that Members provide interested parties with the legal means to prevent certain uses, *inter alia*, of certain signs and indications. If those means are not provided, and the United States submits they are not, then there is an inconsistency with Article 22.2. It should be noted that fulfilling this obligation may or may not result in the acquisition or maintenance of intellectual property rights, *e.g.*, in the case of the ability to object to a registration.

125. It may also be true that procedures for acquiring and maintaining intellectual property, such as GIs, are inconsistent with Part IV, for instance, because, under Article 62.2 of the TRIPS Agreement, the registration process does not result in a registration being granted in a reasonable period of time. But the United States is not raising any such claims under Part IV in this dispute.

126. It does not appear that a claim of inconsistency would have to come within the scope of Part IV or of Part II, and cannot come within the scope of both. Notably, Article 62.1, which permits Members to require compliance with reasonable procedures and formalities, provides that such procedures and formalities must be consistent with the provisions of the TRIPS Agreement. This language plainly envisions that a measure can violate both Article 62.1 and other provisions of the TRIPS Agreement, including those in Part II.

Q85. Are the procedures raised in Australia's claims under Articles 41 and 42 of the TRIPS Agreement governed by Part IV of the TRIPS Agreement? If so, can they also be governed by Part III? AUS

Q86. Article 4 the Paris Convention (1967) creates no right of priority for indications of source. Does this indicate that they are irrelevant for the purposes of the right of priority? AUS, EC

Q87. What is the significance of the EC's statement that the complainants' claims are "theoretical"? Does the EC suggest that this affects the Panel's mandate or function in any way? EC

Q88. Please clarify the form of the recommendations which Australia seeks in respect of versions of Regulation (EC) No. 2081/92 prior to its most recent amendment, as distinct from registrations effected under them. Please cite to the dispute settlement rules and procedures of the covered agreements under which this form of recommendation is requested. AUS

Q89. Is there a notion of estoppel in WTO dispute settlement which applies where a Member refrains from raising claims in relation to a measure until after it is amended? EC

Q90. Does Australia challenge registrations of geographical indications, or procedures leading up to such registrations or to refusal of such registrations, that took place prior to 1 January 1996? If so, please explain how Article 70 of the TRIPS Agreement applies to these measures. AUS

Q91. Please clarify the form of the recommendations which Australia seeks in respect of individual registrations. Please cite to the dispute settlement rules and procedures of the covered agreements under which this form of recommendation is requested. AUS

Q92. Does Australia seek relief in respect of existing individual registrations for reasons related to rights of objection? How many such registrations were made under the former Article 17 of the Regulation? How many under Article 6? Does Australia seek relief in respect of any other aspect of procedures leading up to existing individual registrations? Please cite to any previous GATT or WTO panel report which has made such a recommendation. Please explain why such a recommendation would be appropriate in this dispute if the Panel upheld Australia's claim. AUS

Q93. Does Australia seek relief in respect of individual registrations in respect of their continuing inconsistency with trademark rights to be conferred under Article 16.1 of the TRIPS Agreement? If so, please list these individual registrations. AUS

QUESTIONS POSED BY THE EUROPEAN COMMUNITIES TO THE COMPLAINING PARTIES

To Australia

Question 1

Could you please give details of any case where the authorities of the Member States have declared inadmissible an objection for the reasons alleged under Claim 21 (Australia's FWS, paras. 88-92)

Question 2

Could you please give details of any application for the registration of a trademark that has been refused for the reasons alleged under Claim 24 (Australia's FWS, paras. 81-87).

To the United States

Question 3

The EC understands that the regulations of the US Alcohol and Tobacco Tax and Trade Board, and more specifically Section 27 CFR 4.39(i), provide for the co-existence of geographical indications for wine and some earlier trademarks, under certain conditions.

- (a) *Is this understanding correct?*
- (b) *If so, how does the United States reconcile this form of co-existence with the interpretation of Articles 16.1 and 24.5 of the TRIPS Agreement that it has put forward in this dispute?*

Response:

127. The United States notes that the US wine labeling regulations are not part of this Panel's terms of reference; indeed, this dispute involves neither US measures nor wine products. With this caveat, under the regulations of the US Alcohol and Tobacco Tax and Trade Bureau ("TTB"), TTB authorizes the use of the names of certain viticultural areas on wine labels. However, there is nothing in this authorization that deprives the trademark owner of his right to pursue an infringement action against uses of that name that create a likelihood of confusion with respect to that trademark. See, e.g., *Sociedad Anonima Vina Santa Rita v. US Dept. of the Treasury*, 193 F.Supp.2d 6 (D.D.C. 2001) ("Of course, it is entirely possible or, indeed, likely that wineries will eventually produce labels bearing the Santa Rita Hills AVA designation. If Plaintiff concludes that any of those labels infringes on its trademark, Plaintiff is fully entitled to bring suit under the Lanham Act against the entity that has developed the label. In other words, the ATF's approval of the Santa Rita Hills AVA does not affect Plaintiff's right to pursue trademark claims against individual wineries if and when those wineries use labels that infringe or dilute Plaintiff's mark.") (Exhibit US-48).

To Australia

Question 4

The EC understands that Australia's Wine and Brandy Corporation Act 1980 (the "WBC Act") prohibits the use of a registered geographical indication for wine which does not originate in the area

covered by the geographical indication. The EC further understands that no exception to this prohibition is provided with respect to prior trademarks.

- (a) *Is this understanding correct?*
- (b) *If so, how does Australia reconcile this prohibition on the use of earlier trademarks with the interpretation of Articles 16 and 24.5 of the TRIPS Agreement that it has advanced in this dispute?*

Question 5

The EC further understands that the Geographical Indications Committee set up by the WBC Act has announced that

The GIC will not determine a geographical indication where there is an exclusive trademark using the name which is the same or similar to the trademark, without the approval of the trademark owner.

- (a) *Is this policy still in place?*
- (b) *What is the legal basis for this policy? Has the GIC the authority to derogate from the WBC Act?*
- (c) *Does this policy apply also with the respect to the registration of foreign geographical indications?*
- (d) *If so, does it apply also when the trademark was registered after 1 January 1996 and after the date of protection of the geographical indication in the country of origin?*
- (e) *If so, how does Australia reconcile this policy with the terms of Article 24.5 of the TRIPS Agreement?*

To Australia

Question 6

- (a) *Are the registration and opposition procedures before Australia's Trade Mark Office "enforcement procedures" within the meaning of Part III of the TRIPS Agreement?*
- (b) *Is Australia's Trade Mark Office a "judicial body"?*
- (c) *Are the registration and opposition procedures before Australia's Trade Mark Office "judicial procedures" within the meaning of Article 42 of the TRIPS Agreement?*
- (d) *Does Australia's Trade Mark Office have the authority to order the remedies provided in Articles 44, 45 and 46 of the TRIPS Agreement?*

To the United States*Question 7*

- (a) *Are the registration and opposition procedures before the US Patent and Trademark Office ("PTO") "enforcement procedures" within the meaning of Part III of the TRIPS Agreement?*
- (b) *Is the US PTO a "judicial body"?*
- (c) *Are the registration and opposition procedures before the US PTO "judicial procedures" within the meaning of Article 42 of the TRIPS Agreement?*
- (d) *Does the US PTO have the authority to order the remedies provided in Articles 44, 45 and 46 of the TRIPS Agreement?*

Response:

128. The United States fails to see the relevance of these questions to the dispute at hand. Notably, none of the procedures or authorities of the USPTO are included within this Panel's terms of reference. Nevertheless, as explained at the first meeting, certain aspects of the procedures of the USPTO could be regarded as part of the enforcement procedures available to US rightholders who believe that they are likely to be damaged by the registration of a mark or the continued registration of a mark. For instance, a petitioner who successfully cancels a registration at the USPTO can take the registration to a federal court to get an injunction against infringing use. Further, among the procedures available at the USPTO are proceedings before administrative law judges and the Trademark Trial and Appeal Board ("TTAB"), which are quasi-judicial.

To Australia and the United States*Question 8*

- (a) *Would it be possible under your domestic law for an EC national who owns an Australia/US trademark to claim before the Australian/US courts that another trademark has been registered by Australia's Trade Mark 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?*

Response:

129. With the caveat that this Panel's terms of reference do not include US measures, 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 a request.

- (b) *If not, is it your position that your domestic law is inconsistent with Part III of the TRIPS Agreement, because it does not provide "judicial civil procedures" in order to "enforce" Article 16.1?*

Response:

130. No, because where a trademark owner's rights are being infringed – where another person is using in commerce identical or similar signs for goods or services that are related to those in respect of which the trademark is registered in a manner that creates a likelihood of confusion – the trademark owner can enjoin that infringement and obtain damages, costs, and lost profits. Further, a trademark owner with superior rights, either under common law or in a prior registration, may obtain cancellation of a later registered trademark either through a federal court (where the true owner can also receive an injunction as well as damages) or through the USPTO. This answer is provided with the caveat that this Panel's terms of reference do not include any US measures.

To Australia

Question 9

The WBC Act set up a register of geographical indications. While the WBC Act lays down the conditions and procedures for the registration of Australian geographical indications, it does not appear to provide any conditions or procedures for the registration of foreign geographical indications.

- (a) *Can foreign geographical indications be registered under the WCB Act?*
- (b) *If so, what are the relevant conditions and procedures for the registration of foreign geographical indications?*
- (c) *Has any foreign geographical indication been registered under the WCB Act, other than those registered pursuant to a bilateral agreement?*

To Australia and the United States

Question 10

Have Australia and the United States ever been requested to transmit an application for the registration, under Regulation 2081/92, of a geographical indication relating to an area located in their territory? If yes, what action have they taken?

Response:

131. Please see the US response to Panel questions 12 and 36.

Question 11

Have Australia and the United States ever been requested to transmit a statement of objection to the registration, under Regulation 2081/92, of a geographical indication? If yes, what action have they taken?

Response:

132. Please see the US response to Panel questions 12 and 36.

To the United States

Question 12

How many US geographical indications for products falling under the scope of Regulation 2081/92 are protected in the United States?

Response:

133. The United States is unclear as to the relevance of this question. If the EC is implying that there are no geographical indications in the United States that would fall within the scope of the GI Regulation, on what basis does the EC make this implication?

To Australia

Question 13

How many Australian geographical indications for products falling under the scope of Regulation 2081/92 are protected in Australia?