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## **1 ARTICLE 17**

### **1.1 Text of Article 17**

#### **Article 17**

##### *Exceptions*

Members may provide limited exceptions to the rights conferred by a trademark, such as fair use of descriptive terms, provided that such exceptions take account of the legitimate interests of the owner of the trademark and of third parties.

### **1.2 "Limited exceptions"**

1. In *EC – Trademarks and Geographical Indications* the Panel interpreted the phrase "limited exceptions" to refer to a narrow exception to the rights conferred by a trademark, rather than to an exception that affected only few trademarks or few trademark owners. It considered that the limitation should be assessed as a legal, rather than an economic, matter:

"The first issue to decide is the meaning of the term 'limited exceptions' as used in Article 17. The United States interprets this in terms of a small diminution of rights. The European Communities does not disagree with this approach. The Panel agrees with the views of the Panel in *Canada – Pharmaceutical Patents*, which interpreted the identical term in Article 30, that '[t]he word 'exception' by itself connotes a limited derogation, one that does not undercut the body of rules from which it is made'.<sup>1</sup> The addition of the word 'limited' emphasizes that the exception must be narrow and permit only a small diminution of rights. The limited exceptions apply 'to the rights conferred by a trademark'. They do not apply to the set of all trademarks or all trademark owners. Accordingly, the fact that it may affect only few trademarks or few trademark owners is irrelevant to the question whether an exception is limited. The issue is whether the exception to the *rights conferred by a trademark* is narrow.

There is only one right conferred by a trademark at issue in this dispute, namely the exclusive right to prevent certain uses of a sign, provided for in Article 16.1. Therefore, it is necessary to examine the exception on an individual 'per right' basis. This is a legal assessment of the extent to which the exception curtails that right. There is no indication in the text of Article 17 that this involves an economic assessment, although economic impact can be taken into account in the proviso. In this regard, we note the absence of any reference to a 'normal exploitation' of the trademark in Article 17, and the absence of any reference in Section 2, to which Article 17 permits exceptions, to rights to exclude legitimate competition. Rather, they confer, *inter alia*, the right to prevent uses that would result in a likelihood of confusion, which can lead to the removal of products from sale where they are

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<sup>1</sup> Panel Report, *Canada – Pharmaceutical Patents*, para. 7.30.

marketed using particular signs, but without otherwise restraining the manufacture, sale or importation of competing goods or services."<sup>2</sup>

2. In *EC – Trademarks and Geographical Indications* the Panel took into account, in determining whether an exception could be considered a "limited exception", the fact that it prevented a trademark owner from exercising its exclusive right to prevent use only against persons using a GI on goods in accordance with its registration:

"[T]he European Communities has emphasized that the trademark owner retains the right to prevent the use of a name registered as a GI by any person in relation to any goods which originate in a different geographical area or which do not comply with the specifications, and that the positive right to use the GI extends only to the linguistic versions that have been entered in the register and not to other names or signs which have not been registered. Accordingly, on the basis of the terms of the GI Regulation and of the Community Trademark Regulation, and the explanation of them provided by the European Communities, the Panel finds that not only may the trademark continue to be used, but that the trademark owner's right to prevent confusing uses is unaffected except with respect to the use of a GI as entered in the GI register in accordance with its registration.

Furthermore, the European Communities has explained that the use of a name registered as a GI is subject to the applicable provisions of the food labelling and misleading advertising directives so that the ways in which it may be used are not unlimited."<sup>3</sup>

### 1.3 "such as fair use of descriptive terms"

3. In *EC – Trademarks and Geographical Indications* the Panel extrapolated from the example of "fair use of descriptive terms" in interpreting the term "limited exception" for the purposes of Article 17:

"The example in the text, 'fair use of descriptive terms', provides guidance as to what is considered a 'limited exception', although it is illustrative only. Fair use of descriptive terms is inherently limited in terms of the sign which may be used and the degree of likelihood of confusion which may result from its use, as a purely descriptive term on its own is not distinctive and is not protectable as a trademark. Fair use of descriptive terms is *not* limited in terms of the number of third parties who may benefit, nor in terms of the quantity of goods or services with respect to which they use the descriptive terms, although implicitly it only applies to those third parties who would use those terms in the course of trade and to those goods or services which those terms describe. The number of trademarks or trademark owners affected is irrelevant, although implicitly it would only affect those marks which can consist of, or include, signs that can be used in a descriptive manner. According to the text, this is a 'limited' exception for the purposes of Article 17."<sup>4</sup>

### 1.4 "legitimate interests"

4. In *EC – Trademarks and Geographical Indications* the Panel considered that "legitimate" interests were different from the enjoyment of legal rights:

"Limited exceptions must satisfy the proviso that 'such exceptions take account of the legitimate interests of the owner of the trademark and of third parties' in order to benefit from Article 17. We must first establish what are 'legitimate interests'. Read in context, the 'legitimate interests' of the trademark owner are contrasted with the 'rights conferred by a trademark', which also belong to the trademark owner. Given

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<sup>2</sup> Panel Reports, *EC – Trademarks and Geographical Indications (US)*, paras. 7.650-7.651, and (*Australia*), paras. 7.650-7.651.

<sup>3</sup> Panel Reports, *EC – Trademarks and Geographical Indications (US)*, paras. 7.659-7.660, and (*Australia*), paras. 7.659-7.660.

<sup>4</sup> Panel Reports, *EC – Trademarks and Geographical Indications (US)*, para. 7.654, and (*Australia*), para. 7.654.

that Article 17 creates an exception to the rights conferred by a trademark, the 'legitimate interests' of the trademark owner must be something different from full enjoyment of those legal rights. The 'legitimate interests' of the trademark owner are also compared with those of 'third parties', who have no rights conferred by the trademark. Therefore, the 'legitimate interests', at least of third parties, are something different from simply the enjoyment of their legal rights. This is confirmed by the use of the verb 'take account of', which is less than 'protect'.<sup>5</sup>

### 1.5 "take account of the legitimate interests of the owner of the trademark"

5. In *EC – Trademarks and Geographical Indications* the Panel found that an EC Regulation took account of the legitimate interests of the owner of the trademark because it took account of the owner's interest in preserving the distinctiveness, or capacity to distinguish, of its trademark so that it could distinguish the goods and services of its undertaking in the course of trade:

"The legitimacy of some interest of the trademark owner is assumed because the owner of the trademark is specifically identified in Article 17. The TRIPS Agreement itself sets out a statement of what all WTO Members consider adequate standards and principles concerning trademark protection. Although it sets out standards for legal rights, it also provides guidance as to WTO Members' shared understandings of the policies and norms relevant to trademarks and, hence, what might be the legitimate interests of trademark owners. The function of trademarks can be understood by reference to Article 15.1 as distinguishing goods and services of undertakings in the course of trade. Every trademark owner has a legitimate interest in preserving the distinctiveness, or capacity to distinguish, of its trademark so that it can perform that function. This includes its interest in using its own trademark in connection with the relevant goods and services of its own and authorized undertakings. Taking account of that legitimate interest will also take account of the trademark owner's interest in the economic value of its mark arising from the reputation that it enjoys and the quality that it denotes."<sup>6</sup>

6. In *EC – Trademarks and Geographical Indications* the Panel considered that a limited exception can permit a certain degree of likelihood of confusion that may affect the distinctiveness of the trademark:

"Where Articles 7(4) and 14(3) of the Regulation are unavailable, and a trademark is subject to Article 14(2), there remains the possibility that its distinctiveness will be affected by the use of the GI. We do not consider this fatal to the applicability of Article 17 given that, as a provision permitting an exception to the exclusive right to prevent uses that would result in a likelihood of confusion, it presupposes that a certain degree of likelihood of confusion can be permitted. In the light of the provisions of Articles 7(4) and 14(3), we are satisfied that where the likelihood of confusion is relatively high, the exception in Article 14(2) will not apply. In any event, even where the exception does apply, Article 14(2) expressly provides that the trademark may continue to be used, on certain conditions.

We also note that the proviso to Article 17 requires only that exceptions 'take account' of the legitimate interests of the owner of the trademark, and does not refer to 'unreasonabl[e] prejudice' to those interests, unlike the provisos in Articles 13, 26.2 and 30 of the TRIPS Agreement and Article 9(2) of the Berne Convention (1971) as incorporated by Article 9.1 of the TRIPS Agreement. This suggests that a lesser standard of regard for the legitimate interests of the owner of the trademark is required."<sup>7</sup>

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<sup>5</sup> Panel Reports, *EC – Trademarks and Geographical Indications (US)*, para. 7.662, and (*Australia*), para. 7.662.

<sup>6</sup> Panel Reports, *EC – Trademarks and Geographical Indications (US)*, para. 7.664, and (*Australia*), para. 7.664.

<sup>7</sup> Panel Reports, *EC – Trademarks and Geographical Indications (US)*, paras. 7.670-7.671, and (*Australia*), paras. 7.670-7.671.

## 1.6 "legitimate interests of ... third parties"

7. In *EC – Trademarks and Geographical Indications* the Panel considered that "third parties" include consumers:

"The parties to this dispute agree that "third parties" for the purposes of Article 17 include consumers. The function of a trademark is to distinguish goods and services of undertakings in the course of trade. That function is served not only for the owner, but also for consumers. Accordingly, the relevant third parties include consumers. Consumers have a legitimate interest in being able to distinguish the goods and services of one undertaking from those of another, and to avoid confusion."<sup>8</sup>

8. In *EC – Trademarks and Geographical Indications* the Panel also considered that "third parties" may include GI users:

"The European Communities submits that 'third parties' for the purposes of Article 17 include persons using a GI in accordance with a GI registration. The Panel agrees. Article 17 permits an exception to the rights conferred by a trademark which include, according to Article 16.1, a right to prevent 'all third parties' from using certain signs. The basis of the complainant's claim is that those third parties include GI users. It is logical that, if GI users are included in the third parties subject to the trademark owner's right, they are also included in the third parties taken into account in assessing the availability of an exception to that right.

The legitimacy of the interests of GI users is reflected in the TRIPS Agreement itself, to which all WTO Members have subscribed. Under Section 3 of Part II, all WTO Members agree to provide certain protection to GIs, although they remain free to determine the appropriate method of implementing those provisions in accordance with Article 1.1. The definition of a GI in Article 22.1 reflects a legitimate interest that a person may have in identifying the source and other characteristics of a good by the name of the place where it is from, if the name would serve that purpose. Nevertheless, as 'legitimate interests', the interests of GI users as third parties within the meaning of Article 17 would be different from the legal protection provided for in Articles 22 and 23."<sup>9</sup>

## 1.7 Burden of Proof

9. In *EC – Trademarks and Geographical Indications* the Panel followed the approach of the Panels in *US – Section 110(5) Copyright Act* and *Canada - Pharmaceutical Patents* to exception's provisions, namely that the party asserting that its measure is covered by the exception in Article 17 bears the burden of proving that assertion, as this approach was not contested:

"The United States submits that the European Communities, as the party asserting that its measure is covered by the exception in Article 17, bears the burden of proving that assertion. The European Communities does not contest this position. Therefore, the Panel will follow this approach in the present dispute."<sup>10</sup>

## 1.8 Relationship with other provisions

10. In *EC – Trademarks and Geographical Indications* the Panel noted the differences between Article 17, on the one hand, and Articles 13, 26.2 and 30 of the TRIPS Agreement, as well as Article 9(2) of the Berne Convention (1971) as incorporated by Article 9.1 of the TRIPS Agreement, on the other hand. Although the Panel did refer to jurisprudence on "limited

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<sup>8</sup> Panel Reports, *EC – Trademarks and Geographical Indications (US)*, para. 7.676, and *(Australia)*, para. 7.675.

<sup>9</sup> Panel Reports, *EC – Trademarks and Geographical Indications (US)*, paras. 7.681-7.682, and *(Australia)*, paras. 7.679-7.680.

<sup>10</sup> Panel Reports, *EC – Trademarks and Geographical Indications (US)*, para. 7.645, and *(Australia)*, para. 7.645. However, the Panel made some observations about this approach in a footnote to these paragraphs (*(US)*, fn 578 to para. 7.645 and *(Australia)*, fn 583 to para. 7.645.

exceptions" and "legitimate interests" under Article 30 of the TRIPS Agreement, it expressed caution in referring to these other provisions when interpreting Article 17:

"The structure of Article 17 differs from that of other exceptions provisions to which the parties refer. It can be noted that Articles 13, 26.2 and 30 of the TRIPS Agreement, as well as Article 9(2) of the Berne Convention (1971) as incorporated by Article 9.1 of the TRIPS Agreement, also permit exceptions to intellectual property rights and all contain, to varying degrees, similar language to Article 17. However, unlike these other provisions, Article 17 contains no reference to 'conflict with a [or the] normal exploitation', no reference to 'unreasonabl[e] prejudice' to the legitimate interests' of the right holder or owner, and it not only refers to the legitimate interests of third parties but treats them on par with those of the right holder. It is also the only one of these provisions which contains an example. Further, Article 17 permits exceptions to trademark rights, which differ from each of the intellectual property rights to which these other exceptions apply. Therefore, whilst it is instructive to refer to the interpretation by two previous panels of certain shared elements found in Articles 13 and 30, it is important to interpret Article 17 according to its own terms."<sup>11</sup>

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<sup>11</sup> Panel Reports, *EC – Trademarks and Geographical Indications (US)*, para. 7.649, and *(Australia)*, para. 7.649.